

2006/07 Adopted Operating Budget

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The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Presentation to the City of Fremont for its annual budget for the fiscal year beginning July 1, 2005.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. This is the eighth consecutive year the City has earned the award. We believe our current budget continues to conform to program requirements.

Acknowledgments

Putting together a budget requires a great deal of effort from many people. The City Manager and Budget Team would like to thank the Budget and Accounting Services Staff, Department Budget Coordinators and others for their invaluable assistance:

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Guide to the Document

The budget is both a spending plan for the City's available financial resources and the legal authority for City departments to spend the resources for public purposes. Through these resources, services are provided to meet the needs of Fremont residents. The City Council and City staff respond to the community's needs in part through the budget. It balances not only revenues and costs, but also community priorities and interests.

Document Organization

Budget Overview

The City Manager's Budget Overview sets the context for budget decisions by describing community and economic conditions affecting the budget. It outlines major initiatives underway and challenges for the coming year.

Summary Information

This section of the document presents an overall picture of the City and the budget. It includes a description of the community, an organization chart, summary financial tables, a summary of Citywide staffing changes associated with the budget, and documentation of the City's compliance with State statutes and City policies regarding total expenditures and debt. The section also presents a summary of departmental service objectives in a table that shows objectives' alignment with citywide goals.

General Fund

Local government budgets are organized by funds in order to segregate and account for restricted resources. Each fund is a separate accounting entity. The General Fund provides the majority of resources for most of the services cities typically provide, including the public safety, maintenance, and general government functions required to support direct services to the community. This section provides an analytical overview of the General Fund for the budget year. This section also places the budget in context with the financial forecast and provides a five-year historical review of General Fund sources and uses.

Other Funds

The Other Funds section contains information regarding non-General Fund sources of revenue. These funds are grouped into Cost Centers and Internal Service, Special Revenue, Redevelopment Agency, and Capital categories. Internal Service funds are described in governmental accounting literature as "proprietary funds." Special Revenue funds (which include the Cost Center funds) and Capital funds are grouped in the literature with the General Fund and debt service funds and are described as "governmental funds." The distinction between how the budgeted resources are accounted for in proprietary funds as compared to governmental funds is discussed in the "Basis of Budgetary Accounting" located in the Policies and Practices section of the document. A description and financial summary is provided for each category of Other Funds within the budget.

Capital Budget Summary

The Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) is adopted biannually and includes appropriations for projects for Fiscal Years 2005/06 and 2006/07. Selected excerpts from the Plan are

included with the operating budget to present a comprehensive picture of all the funds of the City and to reflect fund transfers approved between other operating funds and capital funds. This section contains a description of the CIP/ICAP funds, a summary of approved expenditures by program category, and highlights of key projects for the current fiscal year.

Department Budgets

The majority of the budget document presents information on departmental budgets. Each departmental section provides the following information:

- **Department Mission Statement**
- **Description of Responsibilities and Services** - The purpose of this paragraph is to give the reader an understanding of the scope and breadth of each service area's ongoing functions and responsibilities.
- **Service Objectives** - A list of yearly department objectives aligned with the Council's goals.
- **Sources of Funding** - This information is in graphic form and illustrates the funds from which departments receive financial resources. Interfund transfers (to the General Fund) cover administrative department costs that are not funded by the General Fund. This contribution is shown on the charts as "overhead charges to other funds."
- **Expenditure Summary** - This table provides the salary and benefits, operating, and capital costs associated with the department for the fiscal year. It also provides historical information and trends of previous funding levels.
- **Major Budget Changes** - A description of the major budget changes is included that compares the previous year's budget with that for the current year.
- **Staffing** - A historical staffing graph shows the level of staffing for each area. Trends are easily identified. In addition, an organization chart displays individual positions and titles.

Departments comprised of multiple, discrete, service areas also present a table summarizing their activities by those major service areas.

Staffing

This section contains a summary of authorized positions by department and provides perspective on workforce trends.

Policies

This section details the City's budget and financial policies.

Resolutions

This section contains resolutions approving and adopting the City budget, the Redevelopment Agency budget, and the appropriation limit for the fiscal year.

Honorable Mayor and Members of the City Council:

Executive Summary

Like many cities in California, the City of Fremont continues to face an uncertain economic future. Years of State takeaways of City dollars, coupled with a serious recession in the early years of this decade, have taken their toll on the City's finances. With the \$130.5 million FY 2006/07 budget, expenditures will once again exceed revenues, no fund balance will remain at the end of FY 2006/07, and we are projecting some use of the Budget Uncertainty Reserve. In addition, this budget does nothing to address the City's significant service deficit.

The City has been fiscally responsible during this multi-year budget crisis by reducing spending throughout the organization and by focusing on attracting and retaining retail in order to increase revenue. Unfortunately, this fiscal responsibility has come at great cost to the City organization and to the larger Fremont community, which relies on the City to provide a broad range of services at excellent levels.

Several years ago, the City cut costs by more than 25% and cut staff by more than 20%, or more than 220 positions. The consequences of these reductions have been severe. We cut our crime prevention efforts, dropped our response to low-priority police calls, and reduced the Police Department's traffic unit. We closed a fire station on the west side of town and implemented rotating station closures at four other stations in order to reduce overtime costs. We deferred repairing our streets, thereby increasing our pothole problem and, unfortunately, ensuring that we will have to perform more expensive maintenance in the future. We eliminated all support for supplemental hours at the four Fremont libraries, and we eliminated park events like the summer concert series. We also had to postpone the construction of a new senior center, even though the number of seniors in Fremont is increasing dramatically.



The City of Fremont, as seen from the Ohlone Wilderness Trail at the base of Mission Peak

It's clear that the City cannot continue on this path. Although revenues are increasing in some areas, and the City continues to constrain its spending, the FY 2006/07 budget does nothing to restore the health of the community. In fact, our projections show that we will still outspend our revenues by \$1.6 million in the 2006/07 fiscal year, preventing us from restoring much-needed services in the police, fire, and maintenance areas.

For that reason, we are continuing our ongoing dialogue with the community about what the right service levels are, and how we can achieve those levels now and in the future.

Community Outreach and the Budget

The City of Fremont incorporated just over 50 years ago, on January 23, 1956. The vote to incorporate occurred after months of hard work by a group of engaged and involved community members. These leaders recognized that five small towns could never be as strong as one larger, incorporated city, and they worked tirelessly to ensure the City's future success.

That spirit of civic engagement lives on in Fremont, a city where people volunteer their time in so many ways to help their community. A look at today's Fremont shows thriving service clubs, business associations, ethnic and cultural organizations, homeowners associations, youth athletic leagues, historical societies, PTAs, arts organizations, and more.

In fact, Fremont residents and business members are so interested in helping this community that a group of them stepped forward over a year ago to organize and plan Fremont's 50th anniversary when the City was financially unable to do so. The organization they formed, Celebrate Fremont, hosted a successful gala and open house in January 2006, and they are planning a months-long series of events, culminating in a community-wide celebration of Fremont's anniversary in September 2006.

Many of these dedicated community members are also involved in helping with the City's outreach efforts regarding the budget and City services. In early 2005, after the City's utility users tax failed to garner a majority of votes in November 2004, City staff began a comprehensive community outreach program designed to hear from Fremont residents and business community members about their priorities, needs, and ideas for addressing the City's fiscal and community service challenges. As a first step, the City conducted a poll of residents in April 2005. The goal of the survey was to assess public attitudes toward a variety of issues the City is currently facing with regard to services and finances. The main finding of the survey was that Fremont residents and business community members want to ensure that the City maintains a broad range of services at excellent levels. More specifically:

- A majority of residents see "some need" for additional funding for public safety, libraries, and street and road maintenance in Fremont.

- Three quarters are at least “very concerned” that the City receives far less revenue than surrounding cities.
- The highest priorities, should additional funding become available, include fixing streets and repairing potholes, preventing the elimination of programs that work with police and schools to help keep at-risk kids from getting into trouble, providing follow-up to cases of domestic violence, and hiring, training, and retaining additional police officers and firefighters.

With the survey results in hand, we formed an ad-hoc Community Task Force, comprised of Fremont residents and business owners, to help us develop a fiscally responsible plan for the City. The Task Force had several purposes: help facilitate communication with residents and groups within the community, share information about the City’s priorities, and provide feedback on how to address the City’s needs and priorities. At the first meeting, we discussed with the Task Force members the idea that a revenue measure might be considered at the end of the process. However, we assured them that we were not presupposing an end result of our outreach efforts, but rather identifying possible outcomes.

In October, several members of the Community Task Force increased their commitment even further by forming a Speakers Bureau. Members of the Speakers Bureau, accompanied by City staff who helped answer technical questions, met with a wide array of diverse community groups and stakeholders, with the goal of assessing neighborhood priorities and evaluating community feedback. Those meetings, plus an interactive mailer we sent out to the community asking people to prioritize City services, a similar form on our website, and articles in the Citywide newsletter, generated more than 3,000 responses from members of the Fremont community.



Police Department buildings as seen from Central Park

At the five Community Task Force meetings held so far, we discussed the feedback Task Force members were hearing at the Speakers Bureau presentations and out in the community. We also shared with them some of the consequences of the budget reductions we've had to make over the years.

In the Police Department, for example, we've had to reduce the number of personnel from an authorized high of 337.75 in FY 2002/03 to our current authorized level in FY 2005/06 of 294.00. For FY 2006/07, the authorized staffing level remains at 294.00, with 188 sworn police officers and 106 non-sworn personnel. This staffing level gives us a ratio of .89 officers per 1,000 residents, which is the lowest per capita staffing level of any city in the area and considerably lower than the Alameda County average of 1.37 officers per 1,000 residents.

Unfortunately, along with the reductions in personnel, we've also seen an increase in crime rates. In the last five years, crime rates have risen, with violent crime up 32% and auto thefts up 50%. According to a nationally recognized annual crime report by Morgan Quitno Press, Fremont was the 23rd safest city in the year 2000 among cities with a population above 75,000. The latest report revealed that Fremont has slid to 59th in the rankings. While a higher staffing level would not solve all of our crime problems, we know that policing can be more proactive with more officers, and that more proactive police work is one of the keys to preventing crime.

The budget reductions in the Fire Department, coupled with more calls for service, are translating into slower response times to fire and medical emergencies. The Fire Department's goal is to respond to almost all calls within 5 ½ minutes. In the years since the City closed a fire station and implemented rotating station closures, the Fire Department has not been able to achieve this standard.

In fact, since 2003, the demand for service has increased (call volume is up 10% since 2003) and response time has continued to slip. In 2003, the Fire Department responded to 90% of all calls within 6 ½ minutes, while in 2004, the Department responded to 90% of all calls within 7 ½ minutes. By 2005, the response time for 90% of all calls had increased to 8 ¾ minutes. The Fire Department's response time is also hindered by Fremont's large land area relative to its number of fire stations. Fremont has 10 fire stations covering 92 square miles, and on any given day, one of them may be closed as a money-saving measure. For comparison, the City of Santa Clara also has 10 fire stations, but only 19 square miles to cover.

Lack of maintenance of the City's streets, trees, parks, and buildings is perhaps the most visible consequence of the City's cutbacks over the last several years. While people may not notice reductions in the Police and Fire Departments unless they experience a crime, fire, or medical emergency, everyone travels on the City's roads, and everyone can feel the result of budget reductions. The most obvious signs of deteriorating streets are the numerous potholes the City is unable to fill, and the rougher ride on many of

the streets. The State restored Proposition 42 (sales tax on the gas tax) funding for FY 2005/06 after several years of takeaways, but the City is still unable to keep up with its street maintenance needs. Even with the additional \$879,000 in Proposition 42 funding for FY 2005/06, the City faces an annual gap in the pavement maintenance budget of about \$5 million.

The City also maintains 46,000 street trees. Several years ago, crews were able to trim trees on a seven-year cycle. The City now has fewer maintenance staff, and they must focus on critical repairs first. For this reason, the tree-trimming cycle has stretched from seven years to 20 years, which will lead to more risks of fallen tree limbs and poorer appearance. The City also has aging park equipment. Since there is not enough staff to keep up with park equipment and playground repairs, staff often has to remove equipment to prevent safety risks, when they otherwise would repair or replace it.

Unless more money is invested in maintaining the community's physical infrastructure, these assets will continue to deteriorate, and they will be much more expensive to repair in the future.

Pursuing Fiscal Health

The Community Task Force will meet at least one more time; at that meeting, they will discuss whether they believe the City should move forward with a finance measure in November 2006. Staff has still not made any recommendations to the City Council about whether or not to proceed with a revenue measure or continue with the outreach process for another year or longer.

In the meanwhile, the City is pursuing a number of economic development opportunities. While any positive changes in the economy will not be great enough to overcome the very large gap in services we face, an improving



Irvington District

revenue picture will keep us from losing further ground. For that reason, we are continuing to move forward on a number of revenue-generating fronts.

Capitol Avenue/Mixed-Use Retail Project: The Capitol Avenue project is an exciting, high-end, retail-focused development that will be a catalyst project for further development of the City's Downtown. The project will include the extension of Capitol Avenue to Fremont Boulevard and encompasses both portions of Fremont Plaza and the City's seven-acre property adjacent to State Street.

The City has partnered with Tribeca Company, the owners of Fremont Plaza, and Blake Hunt Ventures to develop approximately 200,000 square feet of ground-level shops and restaurants and several hundred residential units located above the retail and parking structures. The retail component will be focused on providing a Main Street-style, pedestrian-friendly upscale retail environment with a large public plaza in the middle of Capitol Avenue, providing a focal point for a diverse array of programming and public events. In March, the City Council reviewed a scale model of the Capitol Avenue project and expressed excitement about the prospects for the project. Staff will be engaging in formal development agreement negotiations with the co-developers over the next six to nine months.

Pacific Commons: Pacific Commons is a 700,000-square foot retail center located at I-880 and Auto Mall Parkway. The first stores at Pacific Commons opened in October 2004, and the center has thrived ever since, bringing in additional sales tax dollars. When the center is completely built out, we expect to receive approximately \$1 million of additional sales tax revenue each year. Some of the businesses at Pacific Commons include Costco, Lowe's, Circuit City, Bassett Furniture, Kohl's, Old Navy, and In-N-Out. Both Claim Jumper and PF Chang's China Bistro will be opening restaurants there within the next year.

The nearby Fremont Auto Mall has also proven to be a success. During the past year, a new Land Rover/Volvo/Jaguar dealership opened and construction began on a new expanded site for the existing Lexus dealership. The Toyota dealership is also undergoing a major expansion. Finally, within the upcoming year, an additional new dealership will be coming to the Auto Mall where the existing Lexus dealership is now.

Biotech: Fremont's life science community has also grown in the past year. Four new firms (Aryx Therapeutics, RITA Medical Systems, AngioScore, and Dynatherm) located in Fremont, while Genitope leased 220,000 square feet of space in Ardenwood for its headquarters and new manufacturing facility. The company expects to open in August 2006. In addition, construction is slated to begin later this year on a new 118,000 square-foot biotech facility in Ardenwood. These new businesses strengthen and diversify the local business base and will eventually add over 500 new jobs to Fremont.

Major League Baseball: In 2005, the City first began hearing rumors that the Oakland Athletics (the A's) might be interested in moving out of Oakland. The A's owner, Lew Wolff, was then in negotiations with the City of Oakland regarding relocating to a new baseball stadium. Mr. Wolff wants to build not only a new stadium, but also a baseball village that would include residential units and retail. With the City of Oakland potentially unable to find a suitable location for this baseball village, Mr. Wolff began looking elsewhere in Alameda County for a site. Mr. Wolff contacted the City and began discussions with private landowners about the possibility of relocating to Fremont. While the A's may not make any decisions about relocating until the end of the baseball season in October, this is an exciting opportunity for Fremont. Staff will be working diligently with representatives of the A's over the next several months to ensure that any new baseball village brings in adequate revenues to support any increased costs to the City.

Redevelopment: There are a number of exciting redevelopment projects underway. All of these projects will help revitalize the Redevelopment Project Areas and bring new revenue into Fremont.

Centerville: The largest investment underway in the Centerville Redevelopment Project Area is the Centerville Market Place project. Located on a 6.6-acre site along Fremont Boulevard near Thornton Avenue, the Centerville Market Place is a public/private partnership between Charter Development and the Redevelopment Agency. Once completed, the mixed-use project will include approximately 58,000 square feet of retail space along Fremont Boulevard, a new street connecting Fremont Boulevard to Post Street, and 110 for-sale townhome-style condominiums located above the retail shops.

The Redevelopment Agency completed the demolition of all buildings and site remediation last year. The groundbreaking is scheduled for 2006, and the grand opening will occur in late 2007 or early 2008. Once open, the



Mission Peak with a rare dusting of snow, as seen from one of the trails to the top.

Centerville Market Place is expected to set a new development standard for Centerville and serve as an economic catalyst for the area.

Irvington: The Washington Boulevard and Paseo Padre Parkway Grade Separation is the largest redevelopment project in the Irvington district. This \$96 million project, which will build an overpass on Washington Boulevard and an underpass on Paseo Padre Parkway to separate car, bicycle, and pedestrian traffic from railroad crossings, is described in detail in the Capital Projects section of this overview.

The Bay Street Streetscape and Parking Project is one of the cornerstones for Irvington's revitalization. The project was developed with the intent of transforming the street environment for this three-block stretch of Bay Street to support existing, and create new, commercial and residential mixed uses, as well as other public and private investments in and around the Five Corners in Irvington. Since its approval in 2004, project implementation has faced some challenges. As a result, modifications that will revise the plan for public parking, reduce the right-of-way requirements for street improvements, and extend street improvements to include Papazian Way and Trimboli Way are being considered. Staff has engaged the community in a discussion about the proposed modifications and will be reporting back to Council in June. If the revised project is approved, construction could begin following utility undergrounding by PG&E, scheduled for the summer of 2007.

In addition, the Redevelopment Agency is considering ways to work with the property owners of the Monument Center Shopping Center properties located on Fremont Boulevard at the Five Corners intersection. In early 2003, as a result of the State budget crisis and the impending shift of redevelopment funds to the State, the Redevelopment Agency put plans for Monument Center on hold. The project will be reactivated next year. During 2006/2007, staff will be working with the property owners to assess their interest in development opportunities for the site.

In the housing arena, the Redevelopment Agency provided assistance to the now-completed Bridgeway Expansion project, 18 transitional and permanent homes on Bay Street for very low-income residents. The Agency is now working with Bridge Housing Corporation, the developer for the Irvington Family Apartments. Located on the former Tri-City Patio World site, the Irvington Family Apartments will provide 100 affordable apartments for families and individuals. Construction began in December 2005, and completion is expected in the summer of 2007. The Agency is also assisting the Lincoln Avenue Apartments, which will provide housing for 11 families with developmentally disabled members. Completion is expected in the summer of 2006.

Niles: The 138-acre Niles Redevelopment Project Area is located at the western edge of Niles Canyon, near the intersection of Niles and Mission Boulevards. For the past several years, Redevelopment Agency staff has been working with the community on the development of the Niles Town Plaza.

Located on the north side of Niles Boulevard on an approximately two-acre portion of the former UP Property, at H and I Streets, the \$3.9 million Town Plaza will include landscape improvements, a water feature, and an amphitheater and stage area. Once constructed, the plaza will act as an anchor for what could ultimately be a two-story Main Street-style development that will turn Niles Boulevard into a more typical two-sided commercial street. Environmental remediation of the property is scheduled to occur later this year, and groundbreaking on the Town Plaza is slated for summer 2007.

Capital Projects: Despite the problems in the City's General Fund, we are continuing to work on a variety of major capital projects. These projects can proceed because they do not rely on the City's General Fund. Rather, their funding comes from such sources as redevelopment, traffic impact fees, State and regional sources, and the Recreation Cost Center's operating reserve.

Grade Separation Project: The \$96 million Grade Separation Project in the Irvington District is the largest public works project undertaken in the City's history. The project includes building an overpass on Washington Boulevard between Bruce Drive and Roberts Avenue and an underpass on Paseo Padre Parkway between Shadowbrooke Common Road and Hancock Drive to separate car, bicycle, and pedestrian traffic from railroad crossings. The project also includes the relocation of about one and a half miles of the active Union Pacific (UP) railroad tracks up to 500 feet to the east of where they are now in the area between Paseo Padre Parkway and Washington Boulevard.

The Grade Separation Project will benefit Fremont in a number of ways. First, it will facilitate the future BART extension to Warm Springs and San Jose by allowing the BART trains to travel at grade once they emerge from underneath Central Park and Lake Elizabeth. Keeping the trains at grade is both less expensive for BART and less disruptive for residents and businesses near the BART tracks. Second, the project will improve safety,



Fremont from the air, with Mission Peak and San Francisco Bay

reduce traffic delays, and eliminate the need for freight trains to sound their horns when approaching and crossing Washington Boulevard, High Street, Main Street and Paseo Padre Parkway (the train crossings at High and Main Streets will be eliminated by the relocation of the UP tracks). In turn, eliminating traffic backups at train crossings will help reduce cut-through traffic on neighborhood streets and improve safety in the area by separating vehicles from the railroad tracks.

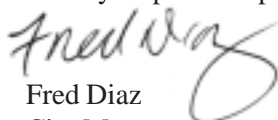
The Grade Separation Project was originally projected to cost approximately \$75 million. However, escalating construction costs have increased the price tag to about \$96 million. The City has committed \$37.7 million in redevelopment funds and traffic impact fees to the project and has secured about \$37 million in additional funding from the State and regional sources like the Alameda County Congestion Management Agency (CMA), bridge tolls, and the County's Measure B half-cent sales tax. Because this project is the first, necessary step in bringing BART to Warm Springs and San Jose, City staff spent much of the spring meeting with officials from the Metropolitan Transportation Commission, BART, the CMA, the Silicon Valley Leadership Group, and the Santa Clara Valley Transportation Authority to discuss alternate funding strategies to make up the anticipated \$21.1 million funding shortfall. At this time, it appears likely that full funding will be secured by the time the project is advertised for construction bids in the fall of 2006.

Family Water Play Facility: The City is building a Family Water Play Facility at the former Puerto Penasco Swim Lagoon in Central Park. The facility will include a lazy river, water slides, a pool, play areas for young people, picnic areas, a food concession, and a science lab for environmental education programs.

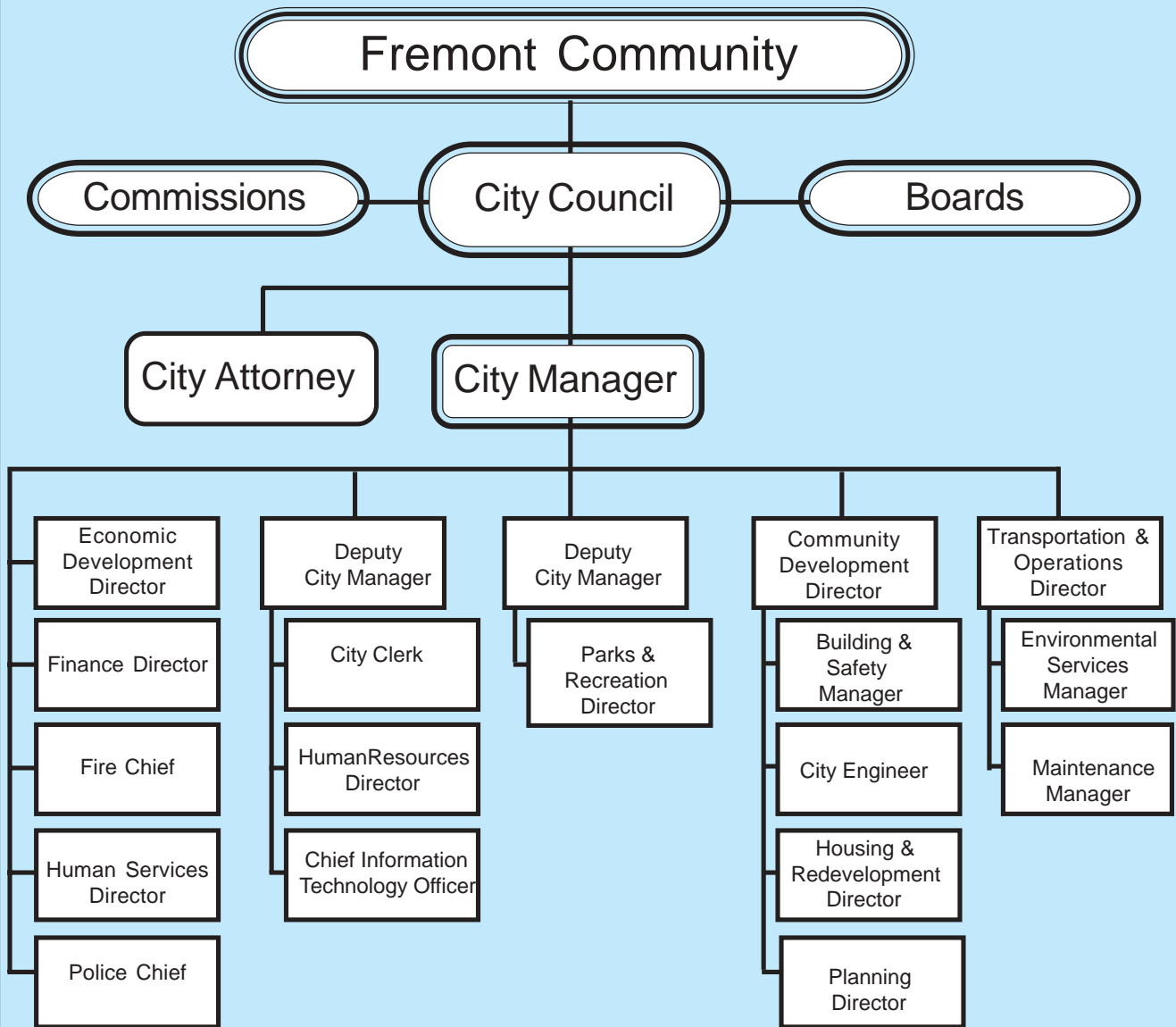
The total estimated cost of the project is \$10 million. The majority of the funding will come from the Recreation Operating Improvement Reserves, State Proposition monies, and Park Development funds. In addition, the Fremont Bank Foundation has announced its intent to provide \$1 million for the project, while the Candle Lighters are donating \$75,000. No General Fund monies are being used in this project. Once open, the Water Play Facility will be a financially self-sustaining operation that will cover its own costs.

Conclusion

Fifty years after the City's incorporation, we now find ourselves in a difficult position. Our residents and business community members want the City to provide a broad range of services at excellent levels, but we lack sufficient funds to carry out their wishes. We will continue to work in partnership with the community to determine what the appropriate services are for Fremont and how to pay for those services. Together, we will develop a fiscally responsible plan for Fremont.


Fred Diaz
City Manager

City of Fremont Organization Chart
Fiscal Year 2006/07





The City of Fremont, fifty years ago (1956)

City of Fremont Profile

History

Fremont's rich heritage can be traced to the Ohlones, natives of the land, and to the Spanish priests who established Mission San Jose, the first Spanish mission located inland. Since those early days, Fremont's rich soil, central location, and excellent climate have continued to attract newcomers to this area. In the mid-1840s, John C. Frémont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. During the Gold Rush era, the Mission area attracted miners headed for the California gold fields. Governor Leland Stanford acquired land in the Warm Springs area, where he planted vineyards and built one of the first wineries in the state. The Niles district made history when the last tracks needed to connect the transcontinental railroad were laid there. Further acclaim came to Niles when Charlie Chaplin filmed "The Tramp" at the Essanay Movie Studio there. In 1853, Washington Township was established and included the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined to form the City of Fremont.



Quality of Life

Fremont, located in southern Alameda County, stretches from the San Francisco Bay to the top of Mission Peak above historic Mission San Jose in the east. With a population of over 210,445, Fremont is the fourth largest city in the San Francisco Bay Area and ranks 91st among the most populous cities in the nation according to the California State Department of Finance. Fremont is approximately 92 square miles in size and includes the 450-acre Central Park and 80-acre Lake Elizabeth, along with 51 other parks, five community centers, and extensive sports facilities. Fremont is also home to the Don Edwards San Francisco Bay National Wildlife Refuge, adjacent to Coyote Hills Regional Park.

Fremont enjoys a high rate of home ownership, a low crime rate, and a quality of life that is considered to be one of the best in the United States. For example, Fremont was rated as

the best place in which to raise healthy children in the nation, and Men's Health magazine rated Fremont #1 in the nation for men's health. Fremont residents can expect a first-rate menu of local services, including a highly rated public education system, excellent public safety program, and recreation, park, and other leisure activities. In addition to beautiful parks and extensive recreational facilities, Fremont is easily accessible to three international airports, several major educational institutions, the Bay Area Rapid Transit system, and professional sports and cultural opportunities. Fremont is also home to Washington Hospital, a community asset for over 50 years.

Government

Incorporated January 23, 1956

Median Age⁴: 35

Fremont is a General Law Council/Manager City governed by a five-member City Council with a directly elected Mayor, all elected at large.

Mean Household Income (2005 projection)⁵: \$100,500

Number of directly elected Mayors (since 1978): 5

Racial Composition⁴

Asian.....37%
African-American.....3%
White.....48%
Other.....6%
Two or more.....6%
(Hispanic/Latino may be of any race)

Number of City Managers since Incorporation: 7

Full-time Employees

FY 2006/07¹

Community Development.....106.42
Economic Development4.64
Fire.....153.00
General Government.....87.90
Human Services.....43.97
Transportation and Operations..112.90
Police.....294.00
Parks and Recreation.....67.35
Housing and Redevelopment....13.99
Total.....884.17

Business

Major Employers, listed in order of number of employees⁶

New United Motor Mfg. (NUMMI)
Lam Research Corporation
MMC Technology
Office Depot
Solelectron California Corp./Fine Pitch
Sysco Food Services
Western Digital
Kaiser Permanente Medical Group
Sanmina-SCI
Scios Inc.
Zomax Incorporated
Abgenix Inc.
Therma Wave Inc.
Quanta Computer
Mervyn's Distribution Center
Spectra Laboratories Inc.
Fry's Electronics Inc.
Boston Scientific/Target
Walters & Wolf Glass Co.
Elo TouchSystems, Inc.

Demographics

Land Area: 92 square miles

Population

1956.....22,443
1960.....43,634
1970.....102,321
1980.....127,454
1990.....173,116
2000.....203,413
2006²210,445

Climate³

Average Temperature: 59°F (15°C)
Avg. Annual Precipitation: 13.6"

Level of Educational Attainment of people 25 years and older⁴

College Degree.....43%
Associate Degree.....8%
Some College, no Degree.....20%
High School Graduate.....17%
Grades 9-12 (No Diploma).....7%
Less than 9th Grade.....5%

Distribution of jobs by major employment sectors (2005 projection)⁵

Agriculture/Nat. Resources.....0.1%
Manufac./Wholesale/Trans.....40.9%
Retail.....9.9%
Financial/Prof. Service.....16.5%
Health/Ed./Recreation.....22.6%
Other.....10.0%
Total Jobs.....96,530

Community Services*Family Resource Center: 1**Parks: 52**Senior Center: 1**Community Centers: 5**Fire Stations: 10***Services by Other
Governmental Units***Education: Fremont Unified School District and Fremont-Newark Community College District**Flood: Alameda County Flood Control and Water Conservation District**Parks: East Bay Regional Park District**Public Transportation: Bay Area Rapid Transit District, Alameda-Contra Costa Transit District, ACE Train, and Capitol Corridor Train
Sewer: Union Sanitary District**Gas and Electricity: Pacific Gas and Electric**Water: Alameda County Water District***Education***Fremont Unified School District (FUSD) has 29 elementary schools, 5 junior high schools, 5 high schools and a continuation school.**FUSD Average SAT Score⁷: 1121**Percentage of FUSD graduates attending⁸:**University of California: 19.4%
California State University: 13.6%**Ohlone College is a public, two-year, open-admission community college with an average enrollment of 11,551 students per semester.⁹***Notes**¹ FY 2006/07 Adopted Operating Budget, City of Fremont² California State Department of Finance³ National Weather Service⁴ U.S. Census 2000⁵ Association of Bay Area Governments (ABAG)⁶ City of Fremont, Economic Development Department⁷ Fremont Unified School District⁸ California Postsecondary Education Commission⁹ Ohlone College, Office of College Relations

All City Funds Schedule

The “Summary of All Funds” schedule on the following page groups the City’s funds into five categories:

- General Fund
- Cost Center/Internal Service
- Special Revenue
- Redevelopment
- Capital

The first three categories include the City’s operating funds, and the last two are special purpose fund categories. Funding for most of the City operations and most of its services comes from the first three fund categories.

The Fremont Redevelopment Agency’s budget is adopted separately by the City Council when it sits as the governing board of the Redevelopment Agency. The budget for Capital funds is reviewed and adopted by the City Council as part of the Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP). The FY 2006/07 maintenance appropriations were adopted when the City Council adopted the FY 2005/06 - 2009/10 CIP/ICAP.

The “Summary of All Funds” schedule consolidates all funds Citywide and presents the total available resources and total use of resources, including beginning fund balances, revenues, expenditures, “transfers in,” and “transfers out.” This consolidation is achieved by eliminating all transfers between funds that are within the same fund category and all internal service fund charge transfers. Such eliminations are similar to those made to produce the City’s government-wide financial statements, as mandated by GASB 34. These eliminations avoid the double counting that would otherwise occur if these transactions were shown as either additional transfers or as additional revenues and expenditures. Therefore, the “Total Expenditures” and “Total Revenues” lines for all funds present the true budgeted expenditures and revenues expected to be received and spent by the entire organization.

Please refer to the General Fund section and the Other Funds section of this document for more information.

Summary of All Funds

(Thousands of Dollars)	Total General Fund	Cost Center/ Internal Service Funds	Special Revenue Funds	RDA Funds	Capital Funds	Total All Funds
Fund Balance - 6/30/06 (est.)	\$ 33,551	\$ 9,681	\$ 18,144	\$ 78,017	\$ 18,934	\$ 158,327
Revenues						
Intergovernmental:						
Property Taxes	41,325	-	-	28,900	-	70,225
In-lieu VLF	13,798	-	-	-	-	13,798
In-lieu Sales Taxes	8,084	-	-	-	-	8,084
Sales & Use Taxes	25,418	-	761	-	-	26,179
Vehicle License Fees	1,502	-	-	-	-	1,502
Other Intergovernmental	646	99	5,678	-	5,485	11,908
Business Taxes	6,941	-	-	-	-	6,941
Hotel/Motel Taxes	2,486	-	-	-	-	2,486
Property Transfer Taxes	2,006	-	-	-	-	2,006
Franchise Fees	7,862	-	-	-	-	7,862
Charges for Services	3,217	19,347	8,203	-	2,484	33,251
Fines	3,235	-	-	-	-	3,235
Investment Earnings	2,783	292	13	1,461	1,367	5,916
Paramedic Fees	1,065	-	-	-	-	1,065
Other Revenues	1,050	668	1,180	800	2,319	6,017
Total Revenues	121,418	20,406	15,835	31,161	11,655	200,475
Total Transfers In	7,528	6,096	182	-	35,412	49,218
Total Available Resources	162,497	36,183	34,161	109,178	66,001	408,020
Expenditures						
General Government	12,061	-	-	-	-	12,061
Police	48,575	-	1,093	-	-	49,668
Fire	27,760	-	304	-	-	28,064
Transportation and Operations	-	1,590	7,869	-	18,042	27,501
Community Development:						
Planning	-	3,593	-	-	-	3,593
Building & Safety	-	5,162	-	-	-	5,162
Engineering	-	5,948	-	-	-	5,948
Community Preservation	668	-	-	-	-	668
Housing and Redevelopment	-	-	385	54,402	-	54,787
Human Services	3,150	743	6,451	-	-	10,344
Parks and Recreation	-	5,788	-	-	4,522	10,310
Non-departmental	2,555	(658)	-	-	5,108	7,005
Less: Citywide Savings	(1,000)					(1,000)
Debt costs	150	-	641	7,505	7,813	16,109
Total Expenditures	93,919	22,166	16,743	61,907	35,485	230,220
Total Transfers Out	35,350	6,979	813	250	5,826	49,218
Total Use of Resources	129,269	29,145	17,556	62,157	41,311	279,438
Fund Balance - 6/30/07 (est.)	\$ 33,228	\$ 7,038	\$ 16,605	\$ 47,021	\$ 24,690	\$ 128,582

Note: Some internal charges between funds are classified as either transfers or expenditures to clarify departmental budget resources and appropriations. This results in minor differences between the individual departmental budgets and amounts shown in the Summary of All Funds schedule above.

Citywide Position Changes

Overview

The total authorized permanent staffing level for the FY 2006/07 budget is virtually unchanged from the FY 2005/06 level. Cautious budget planning prompted by continuing economic uncertainty prevents the City from restoring any of the 148.30 permanent positions eliminated since FY 2002/03. Staffing levels for the most basic services — Police, Fire, and Maintenance — remain at their lowest level in at least 17 years when viewed in relation to Fremont's population.

The authorized level of 884.17 full-time equivalent positions (FTEs) is 0.43 FTE lower than the FY 2005/06 level of 884.60. The reorganization of the Development and Environmental Services Department into two departments — the Community Development Department and the Department of Transportation and Operations — is the most significant organizational change for FY 2006/07. The reorganization was accomplished by restructuring or reclassifying several existing positions, without adding any new staff.

The decrease in net FTE positions is primarily attributable to the elimination of a vacant Management Analyst position in the City Manager's Office and offsetting miscellaneous adjustments of existing positions. Additional information on departmental staffing, along with organizational charts, may be found in the departmental budget section of this document. Additional discussion of citywide details may be found in the Staffing section of this document.

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
<u>PUBLIC SAFETY</u>						
Fire	176.20	176.00	157.60	153.00	153.00	153.00
Police	337.75	337.75	292.90	299.10	294.00	294.00
TOTAL	513.95	513.75	450.50	452.10	447.00	447.00
<u>OTHER COMMUNITY SERVICES</u>						
Community Development	128.70	129.60	103.32	102.90	105.10	106.42
Economic Development	6.00	4.70	3.64	4.75	4.64	4.64
Human Services	40.95	44.95	40.57	40.67	43.97	43.97
Transportation & Operations	129.10	137.10	115.60	116.15	113.40	112.90
Parks and Recreation	72.60	74.25	70.10	68.85	67.35	67.35
Housing and Redevelopment	16.05	17.35	13.04	14.68	14.54	13.99
TOTAL	393.40	407.95	346.27	348.00	349.00	349.27
<u>ADMINISTRATIVE SYSTEMS</u>						
City Manager's Office	4.00	4.00	3.00	3.00	3.00	2.40
Administrative Systems Office	12.00	11.10	5.50	6.50	5.30	5.30
City Attorney	13.00	13.00	12.00	11.00	10.75	10.75
City Clerk	9.00	10.50	7.50	7.40	6.40	6.30
Finance	29.65	30.05	25.40	26.40	25.75	25.75
Information Systems	18.00	21.00	20.40	20.40	20.40	20.40
Human Resources	21.00	21.00	17.00	17.50	17.00	17.00
TOTAL	106.65	110.65	90.80	92.20	88.60	87.90
CITYWIDE TOTAL	1014.00	1032.35	887.57	892.30	884.60	884.17

Note: Historical staffing information reflects the current organizational structure. Positions previously displayed in departments that were eliminated as part of the FY 2006/07 reorganization (Maintenance, and Development and Environmental Services) have been redistributed to new departments (Community Development, Transportation and Operations, and Parks and Recreation) with the same adjustments made to historical data to assist the reader with comparisons.

City Debt Summary

Cities have primarily three choices in financing their operations and funding public facilities: pay-as-you-go, debt financing, and public-private ventures. The City has adopted a Long-Term Capital Debt Policy that sets the guidelines for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. The City will consider the issuance of long-term debt obligations only under the conditions outlined in the policy displayed in the Policies section of this document. Present and future planned debt payments affecting the operating budget are detailed on the “transfers summary” located in the General Fund section of this budget.

The charts below summarize the City’s existing long-term debt and future debt obligations related to that existing debt.

Debt Outstanding Fiscal Years Ending 2005 and 2006

	<u>2005</u>	<u>2006</u>
Redevelopment Agency		
Bonds, Series 2004 (refi of 2000)	\$ 40,885,000	\$ 37,345,000
Redevelopment Agency Taxable Housing Bonds	18,045,000	16,020,000
Total Tax Allocation Bonds	\$ 58,930,000	\$ 53,365,000
General Obligation Bonds		
General Obligation Bonds, Election of 2002 Series A	\$ 9,820,000	\$ 9,630,000
General Obligation Bonds, Election of 2002 Series B	25,000,000	25,000,000
Total General Obligation Bonds	\$ 34,820,000	\$ 34,630,000
City's Certificates of Participation - General Fund		
1990 Public Financing Authority	\$ 4,900,000	\$ 4,575,000
1991 Public Financing Authority	3,900,000	3,800,000
1998 Public Financing Authority	17,595,000	17,065,000
2001 Public Financing Authority	33,545,000	32,845,000
2001B Public Financing Authority	9,430,000	9,095,000
2002 Public Financing Authority	35,990,000	35,140,000
2003 Public Financing Authority	21,930,000	21,095,000
Sub-Total	\$ 127,290,000	\$ 123,615,000
1998 Public Financing Authority (Fremont Resource Center)	\$ 11,335,000	\$ 11,090,000
Total Certificates of Participation	\$ 138,625,000	\$ 134,705,000
Total Debt Outstanding	\$ 232,375,000	\$ 222,700,000

Annual Debt Service Requirements

	<u>City's Certificates of Participation - Source of Payment General Fund</u>	<u>City's Certificates of Participation - Source of Payment Fremont Resource Center</u>	<u>General Obligation Bonds Election of 2003 Series B</u>	<u>Tax Allocation Bonds</u>
FY 2006/07	\$ 7,812,930	\$ 641,343	\$ 1,765,753	\$ 7,504,521
FY 2007/08	7,837,260	642,993	1,761,403	7,498,856
FY 2008/09	7,936,496	652,008	1,756,353	7,498,596
FY 2009/10	7,913,912	656,465	2,251,678	7,496,286
FY 2010/11	7,920,692	660,397	4,737,153	7,487,881
Thereafter	132,890,373	12,965,907	50,902,898	24,652,641
Total Principal & Interest	172,311,663	16,219,113	63,175,235	62,138,782
Less Interest	(48,696,663)	(5,129,113)	(28,545,235)	(8,773,782)
Total Principal	\$ 123,615,000	\$ 11,090,000	\$ 34,630,000	\$ 53,365,000

Legal Debt Margin

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal debt limit. With only \$34,630,000 of outstanding debt subject to the legal debt limit and a legal debt limit of \$3,923,849,381 the City is not at risk of exceeding its legal debt limit.

Computation of Legal Debt Margin as of June 30, 2005

Assessed Valuation (Net) ¹	\$ 26,158,995,876
Debt Limit: 15% of assessed value	\$ 3,923,849,381
Less Outstanding Debt (Subject to Legal Debt Limit)	<u>34,630,000</u>
Legal Debt Margin	<u>\$ 3,889,219,381</u>

¹ Source: Alameda County-Controller's Office Certification.

Compliance with Long-Term Capital Policy

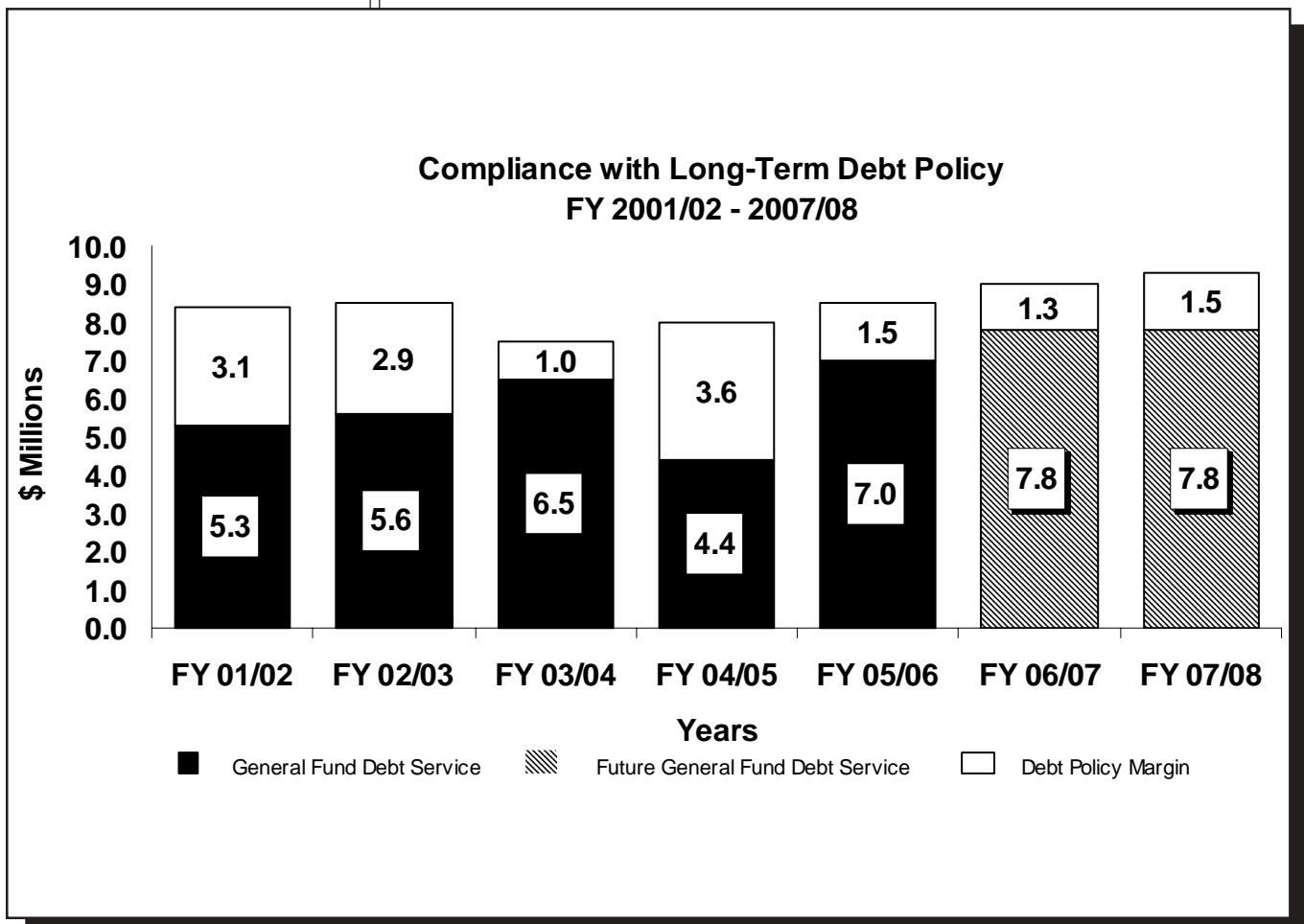
The City of Fremont's Long-Term Capital Debt Policy, adopted by the City Council on May 7, 1996, and revised and readopted with the CIP/ICAP on July 8, 1998, requires that General Fund supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out. With FY 2006/07 General Fund supported debt service of \$7,812,930, and a debt level limit of \$9,137,800, the City has not exceeded its debt service limit.

Computation of Compliance with Debt Service Limit

Total General Fund Budgeted Expenditures and Transfers Out	<u>\$ 130,540,000</u>
Policy Debt Level Limit, 7% of Total Budgeted Expenditures and Transfers Out	\$ 9,137,800
Less General Fund Supported Debt Service	<u>7,812,930</u>
Policy Debt Margin	<u>\$ 1,324,870</u>

Compliance with Long-Term Debt Policy

The City's Long-Term Debt Policy limits General Fund-supported debt to a maximum of 7% of total General Fund budgeted expenditures and transfers out. The City has been in compliance with this policy since it was adopted by the City Council in 1996. General Fund-supported debt has remained on average 25% lower than the maximum debt allowance. The forecast for long-term debt indicates that the City will remain in compliance and will not exceed 7% of total General Fund budgeted expenditures and transfers out. Over the next two years, the average General Fund-supported debt will be \$7.8 million. The forecasted 2-year average debt is 15% below the projected debt limit; this compliance margin is lower than the average debt margin over the past five years because of increases in the variable interest rates on General Fund obligations and scheduled increases in principal payments.



Gann Limit

Article XIII B of the California Constitution (enacted with the passage of Proposition 4 in 1979, with modifications under Proposition 111 passed in June 1990 and implemented by California Government Code sections 7900, and following) provides the basis for the Gann appropriation limitation. In brief, the City's appropriations growth rate is limited to changes in population and either the change in California per capita income or the change in the local assessment roll due to new, non-residential construction.

The formula to be used in calculating the growth rate is:

$$\begin{array}{c} \frac{\% \text{ change in population} + 100}{100} \\ \text{times} \\ \text{either} \\ \frac{\% \text{ change in per capita income} + 100}{100} \\ \text{or} \\ \frac{\% \text{ change in non-residential assessed value} + 100}{100} \end{array}$$

The resultant rate times the previous appropriation limit equals the new appropriation limit.

Both the California per capita personal income price factor and the population percentage change factors are provided by the State Department of Finance to local jurisdictions each year. Population percentage change factors estimate changes in the City's population between January of the previous fiscal year and January of the current fiscal year. Reports that present changes in new, non-residential assessed value are provided by the County of Alameda. These numbers provide the basis for the factor to be used in the City's calculation of the Gann Limit. Of the two methods above, the City is using the "per capita personal income" factor because it results in the higher appropriations limit.

On May 1, 2006, the State Department of Finance notified each city of the population changes and the per capita personal income factor to be used in determining appropriation limits. The calculation as applied to the City of Fremont for 2006/07 is:

The population on January 1 of the previous year (209,421) compared to the population on January 1, 2006 (210,158), is 737 or a 0.35% increase.

The change in per capita personal income is 3.96%.

The factor for determining the year-to-year increase is computed as:

$$\frac{0.35 + 100}{100} \times \frac{3.96 + 100}{100} = 1.0432$$

Applying this year's factor of 1.0432 to last year's limit of \$399,287,215, the Gann Limit for FY 2006/07 yields \$416,536,423.

Based on an operating budget of \$130,540,000, Fremont is not at risk of exceeding the Gann Limit. The Gann Limit will be adopted by the City Council concurrently with the adoption of the FY 2006/07 operating budget.

Citywide Goals and Objectives

In 2002, the City Council adopted a Strategic Plan that outlines a vision for the long-term future of Fremont and proposes strategies and short-term goals for achieving the vision. The Plan has three main purposes. First, it communicates the City's vision for the future to residents, businesses, and City employees. Second, it provides guidance so that decisions are good for today's challenges and good for the City in the future. Making decisions in the context of a shared vision developed through collaboration ensures broad commitment to the success of the plan. Finally, the Strategic Plan provides a sound framework for long-term departmental planning.

For budgeting purposes, the long-term desired outcomes and values outlined in the plan have been adapted as citywide goals that support the City Council's vision. The goals are used as a framework for ensuring alignment of department service objectives with the City Council's vision. This section of the budget document presents the City Council's vision and goals from the 2002 Strategic Plan. It also includes a matrix that illustrates the alignment of departmental service objectives with citywide goals. Service objectives presented here may be abbreviated for format purposes. The full narrative text for each objective is displayed in the departmental section of the budget document.

City Council's Vision

Fremont, in the Year 2020, will be a globally-connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.

Citywide goals

1. Strong community leadership

City Council, Boards, and Commissions work with the community to create the long-term vision for Fremont and provide policy direction and guidance to the City organization. The City Manager and staff carry out the long-term vision on a daily basis through a variety of services and activities.

2. A safe community

People value a feeling of safety and security within their community. In Fremont, residents work together and with City staff to prevent crime and solve problems in their neighborhoods.

3. A vibrant local economy

The local economy is comprised of a strong, diversified commercial and industrial base, providing high-quality employment for the region. It is balanced with a strong retail sector and healthy neighborhood commercial districts.

4. Thoughtful, orderly use of land and protection of environmental resources

The City values a harmonious blend of natural and physical environments, with particular priority for preservation of open space, such as the hillface and bay wetlands. Thoughtful land use and conservation also protect people's social and financial investments in the community.

5. Safe and effective transportation systems

Quality of life is highly dependent on high quality transportation systems, which enable people to get around easily. Alternatives to automobile transportation, such as walking, cycling, and public transit are also valued.

6. Public facilities and programs for recreation

Public facilities provide individual and family entertainment, relaxation, and education. Fremont's public amenities include parks, community centers, historic estates, a golf course, and related programming.

7. Historic character

Preservation of historic properties, neighborhoods, and commercial districts enables the community to adapt to change and embrace a progressive future while remaining true to its heritage and historic character.

8. Building a caring community

Fremont is a community where members care for each other and value services that help families and individuals to live self-sufficiently with a respectable quality of life. The community values a range of housing opportunities balanced with employment opportunities to ensure that people who work in Fremont may also live here.

9. Strong families and healthy children

Fremont is proud of its identity as an excellent place for families and children. The City partners with the school district and other agencies and groups to foster growth in families and provide opportunities for youth development and community involvement.

10. Involvement of a diverse population

Fremont is an inclusive community that welcomes people of all ages, ethnicity, income, and background. The City believes that all segments of the population must be engaged and involved in making community decisions in order to ensure a high quality of life and effective democracy.

11. Effective and efficient city government

The Fremont community wants honest, responsive city government serving the community's interests with progressive, equitable, and fiscally responsible service delivery.

Community Values
Strong community leadership
A safe community
Vibrant local economy
Thoughtful, orderly use of land and protection of environmental resources
Safe and effective transportation systems
Public facilities and programs for recreation
Historic character
Building a caring community
Strong families and healthy children
Involvement of a diverse population
Effective and efficient city government

[illegible]

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Service Objective Summary:**

HOUSING AND REDEVELOPMENT DEPARTMENT:

- 1 Initiate a key project in each redevelopment project area based on public input.
- 2 Implement a business attraction strategy in all redevelopment project areas.
- 3 Expand Facade Improv. Grant/Commercial Rehab. Loan Program participation.
- 4 Initiate a major housing development project to increase housing opportunities.
- 5 Begin construction of the Niles Town Plaza project.
- 6 Establish assessment district for Town Plaza parking and capital improvements.
- 7 Begin construction at the Centerville Unified Site.
- 8 Reach agreement for housing project at Central Ave./Fremont Blvd. site.
- 9 Initiate a project to implement the Irvington District Concept Plan.
- 10 Complete construction plans for the Bay Street Streetscape Project
- 11 Identify and implement a long-term Agency funding strategy.

HUMAN SERVICES DEPARTMENT:

- 1 Expand southern Alameda County senior mental health services.
- 2 Implement Senior Action Plan funded by the Robert Wood Johnson grant.
- 3 Re-design and expand Fremont Senior Center programming and class usage.
- 4 Explore new funding sources for youth, family and senior programs.
- 5 Expand senior and disabled adult transportation Paratransit program options.
- 6 Operate the HOPE program to provide services to the homeless.
- 7 Organize the local activities related to national 'Make-a-Difference Day.'
- 8 Transition leadership of neighborhood programs to neighborhood leaders.
- 9 Expand Volunteer Income Tax Assistance (VITA) program participation.
- 10 Complete and implement 5-year family/teen service strategic plan at FRC.
- 11 Coordinate with mental health service providers to improve outcomes for children.
- 12 Place graduate student counselor interns at RHS to achieve early intervention.
- 13 Educate professionals on infant-toddler mental health services program.
- 14 Provide family-focused services to juvenile offenders and out-of-control youth.
- 15 Coordinate with other agencies to reduce gang problems on school campuses.

[illegible]

**Objectives are summarized for formatting purposes. Complete service objective statements may be found in the department section of the Budget document.

[illegible]

- 1 Survey all right-of-way signs to plan the sign maintenance program.
- 2 Survey all sidewalks to plan the sidewalk maintenance program.
- 3 Use technology to plan comprehensive median/back-up lot maintenance program.
- 4 Replace median/back-up lot landscaping with low-maintenance alternatives.
- 5 Increase median irrigation system efficiency and effectiveness.
- 6 Upgrade City facility fire alarms to increase reliability and to decrease costs.
- 7 Create website to improve building maintenance services.
- 8 Update facility survey for development of 2007/08 Capital Improvement Program.
- 9 Improve the in-house parts warehouse/distribution system.
- 10 Centralize the location of the compressed natural gas re-fueling station.
- 11 Plan diesel motor retrofit program to comply with state law.
- 12 Develop a household hazardous waste program.
- 13 Encourage environmentally preferable City purchasing practices.
- 14 Expand recreational and education opportunities in the Sabercat Creek area.
- 15 Develop a surveillance program to identify and reduce illegal dumping.
- 16 Develop a Pedestrian Master Plan to enhance pedestrian safety and circulation.
- 17 Update the transportation element of the City's master plan.
- 18 Update the fee element of the Development Impact Fee.
- 19 Partner with regional transportation agencies in developing the Fremont system.
- 20 Use proactive signal timing to improve air quality and traffic circulation.
- 21 Disseminate live traffic video feed on City website to enhance traveler information.
- 22 Support expansion of the City's Photo Redlight Enforcement Program.

- 1 Design and construct the Central Park Family Water Play Facility for its 2007 opening
- 2 Implement optimal park maintenance strategies and technologies.
- 3 Complete Central Park irrigation control system upgrade.

- 1 Prioritize and provide highest possible level of basic police services.
- 2 Increase use of on-line crime reporting techniques in non-life-threatening situations.
- 3 Restore traffic unit for enforcement and safety activities in highest priority areas.
- 4 Finish dispatch center upgrades.
- 5 Plan to replace radio system for better integration with other agencies.
- 6 Develop five-year department strategic plan under alternative revenue scenarios.
- 7 Complete a staffing needs and workload assessment for future service planning.
- 8 Develop a staffing succession plan.
- 9 Conduct leadership training for all managers and supervisors.
- 10 Research, develop and update technology to enhance effective law enforcement.
- 11 Develop multi-agency emergency and disaster plans and protocols.
- 12 Incorporate CERT emergency preparedness into Neighborhood Crime Watch.
- 13 Link the Crime Watch Unit website to the Police and City websites.
- 14 Strengthen National Night Out participation and event support.
- 15 Assemble community committee to coordinate a July 4th parade entry.
- 16 Plan police training facility using existing bond proceeds.
- 17 Keep Tri-City Animal Shelter services in compliance with state standards.
- 18 Use mobile animal adoption/spay/neuter vehicle to increase adoptions/animal care.
- 19 Streamline special event permit process.

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Service Objective Summary:**

ADMINISTRATIVE SYSTEMS GROUP:

- 1 Encourage community campaigning in shaping vision for Fremont.
- 2 Support City Council advocacy efforts on behalf of the City.
- 3 Build inter-agency relationships to enhance City service delivery efforts.
- 4 Attract, retain and develop the best and brightest employees.
- 5 Support major economic development projects, e.g., Pacific Commons.
- 6 Support redevelopment of Centerville and Niles project sites.
- 7 Streamline the City Council agenda and public information processes.
- 8 Develop relevant solutions to City fiscal challenges.
- 9 Research new alternative revenue sources.
- 10 Develop web-based access capability for financial software system.
- 11 Implement GASB 45 relating to non-pension, other post-employment benefits.
- 12 Update cooperative purchasing guidelines within the City purchasing ordinance.
- 13 Provide professional labor relations support to departments.
- 14 Negotiate labor agreements to replace those agreements that are expiring.
- 15 Review and update Personnel Rules and Regulations to meet current standards.
- 16 Develop and maximize health care benefit options and contain costs.
- 17 Design and deliver citywide supervisory training.
- 18 Implement a citywide employee performance appraisal system.
- 19 Begin transition to citywide networked digital telephone system.
- 20 Upgrade communications network to support a digital telephone system.
- 21 Plan conversion of the Tri-City GIS data into a "Geo-database" model.
- 22 Upgrade the online GIS intranet application.
- 23 Acquire and install a new on-line building and planning permit management system.
- 24 Improve technology security to assure compliance with state and federal laws.
- 25 Upgrade the document mangement software for easier access to City records.
- 26 Plan transition of City website to a content management system website technology.

[illegible]

**Objectives are summarized for formatting purposes. Complete service objective statements may be found in the department section of the Budget document.

General Fund Summary

The General Fund is the City's primary operating fund. It accounts for the majority of financial resources and outlays for basic services such as police, fire, and maintenance, as well as the administrative systems required to support them. The fund also accounts for the City's discretionary funding sources (e.g., property tax, sales tax, vehicle license fees, franchise fees, and business tax). As a rule, General Fund resources are used only to fund operations that may not be funded with other, restricted revenues. Operations that rely heavily on non-General Fund resources, such as land development, recreation, and human services, are accounted for in other funds. Information on these operations may be found in the "Other Funds" section of this document.

Since mid-2001, the City's budgeting environment has been characterized by tremendous uncertainty. The recession in the high-tech sector of the economy and State resource takeaways caused a 10% decline in General Fund revenues between FY 2000/01 and FY 2003/04. Meanwhile, the demand for City services and the costs of providing them increased over the same period. Because city governments may only spend available resources, these factors combined to prompt budget and staffing reductions of more than 20% since FY 2002/03. Budget reductions of this magnitude necessarily resulted in service reductions in all areas. The "Budget Overview" section of this document provides more information on these service reductions. This section provides information on the FY 2006/07 General Fund budget, including budget assumptions, expenditure and revenue highlights, transfers to other funds, reserve funds, and the financial forecast.

The FY 2006/07 budget displayed in the table on the next page continues the City's transition to a permanently lower revenue base. Despite modest revenue recovery, the costs of providing services are projected to exceed ongoing revenues in FY 2005/06 and FY 2006/07. The service reductions that would be required to balance ongoing costs with existing ongoing revenues in FY 2006/07 would be harmful to the community. Additionally, economic signals are mixed, and community discussions about service priorities and long-term revenue solutions continue. The City is relying on one-time bridging resources, specifically undesignated fund balance and the Budget Uncertainty Reserve, to balance the FY 2006/07 budget. For this reason, the budget allows for no restoration of services or positions that were eliminated in recent years. Although the economy has apparently stabilized for the moment, there are not projected to be sufficient resources in the future to fund more than the current, inadequate levels of service. Only with significant new revenue will the City be able to provide the high-quality public safety, infrastructure maintenance, and other services that Fremont residents expect.

General Fund						
	General	Contingency	Program	Budget	Eliminating	Total
(Thousands of Dollars)	Fund	Reserve	Investment Reserve	Uncertainty Reserve	Internal Transfers	General Fund
Fund Balance - 6/30/06 (est.)	\$ 178	\$ 15,100	\$ 3,020	\$ 15,253	n.a	\$ 33,551
Revenues:						
Intergovernmental:						
Property Taxes	41,325	-	-	-	-	41,325
In-lieu VLF	13,798	-	-	-	-	13,798
In-lieu Sales Tax	8,084	-	-	-	-	8,084
Sales & Use Taxes	25,418	-	-	-	-	25,418
Vehicle License Fees	1,502	-	-	-	-	1,502
Other Intergovernmental	646	-	-	-	-	646
Business Taxes	6,941	-	-	-	-	6,941
Hotel/Motel Taxes	2,486	-	-	-	-	2,486
Property Transfer Taxes	2,006	-	-	-	-	2,006
Franchise Fees	7,862	-	-	-	-	7,862
Charges for Services	3,217	-	-	-	-	3,217
Fines	3,235	-	-	-	-	3,235
Investment Earnings	2,783	-	-	-	-	2,783
Paramedic Fees	1,065	-	-	-	-	1,065
Other Revenues	1,050	-	-	-	-	1,050
Total Revenues	121,418	-	-	-	-	121,418
Total Transfers In	8,944	1,059	212	-	(2,687)	7,528
Total Available Resources	130,540	16,159	3,232	15,253	(2,687)	162,497
Expenditures						
General Government	12,061	-	-	-	-	12,061
Police	48,575	-	-	-	-	48,575
Fire	27,760	-	-	-	-	27,760
Transportation and Operations	-	-	-	-	-	-
Community Development:						
Planning	-	-	-	-	-	-
Building & Safety	-	-	-	-	-	-
Engineering	-	-	-	-	-	-
Community Preservation	668	-	-	-	-	668
Housing and Redevelopment	-	-	-	-	-	-
Human Services	3,150	-	-	-	-	3,150
Parks and Recreation	-	-	-	-	-	-
Non-departmental	2,555	-	-	-	-	2,555
Less: Citywide Savings	(1,000)	-	-	-	-	(1,000)
TRANS Debt costs	150	-	-	-	-	150
Total Expenditures	93,919	-	-	-	-	93,919
Total Transfers Out	36,621	-	-	1,416	(2,687)	35,350
Total Use of Resources	130,540	-	-	1,416	(2,687)	129,269
Fund Balance - 6/30/07 (est.)	\$ -	\$ 16,159	\$ 3,232	\$ 13,837	n.a	\$ 33,228

NOTE: 1) The only General Fund costs displayed in this chart for Community Development are for Community Preservation. Other department costs are displayed in the Other Funds section of this document. 2) Maintenance activities are funded in the Integrated Capital Assets Plan and can be found in the Capital Funds section of this document. 3) Recreation activities are funded in the Recreation Cost Center with a combination of General Fund and fee revenues. Department costs can be found in the Cost Center/ Internal Service section of this document.

Budget Assumptions

In addition to the general conditions of revenue volatility and State budget instability, the FY 2006/07 budget is premised upon the following specific assumptions:

1. Service reductions implemented in the FY 2003/04 and FY 2005/06 budgets continue, with no staff added back in FY 2006/07.

After the technology sector recession began to affect Fremont's revenues in 2001, the City took early action to align expenditures with revenues. Department budgets were reduced by 10-35%, with the highest priority services of police, fire, and maintenance reduced least (on a percentage basis) for FY 2003/04. Continued sluggish revenue growth prompted another budget reduction in FY 2005/06 equal to 5% in all non-safety departments. Revenue projections show that expenditures will continue to exceed revenues in FY 2005/06 and FY 2006/07, requiring the City to spend all remaining fund balance and a portion of the Budget Uncertainty Reserve to balance the budget. Given continued economic uncertainty, the City cannot afford to restore eliminated services or staff positions in FY 2006/07. Ongoing discussions with the community about long-term revenue solutions will inform long-term service planning.

2. The cost of continuing FY 2005/06 service levels in FY 2006/07 will exceed projected revenues, requiring the use of all remaining fund balance and a portion of the Budget Uncertainty Reserve to balance the budget.

Instead of spending all of the revenues received during the "boom" years of the late 1990s, the City set aside a portion of annual revenues in General Fund fund balance for use in future years. Since the City began cutting the budget in FY 2002/03, it has metered in use of the fund balance annually as a resource to smooth the transition to a lower revenue base. For example, the City spent \$10 million of fund balance in FY 2001/02 to cover the dramatic drop in revenues that was not detected until late in the fiscal year. If not for this resource, the mid-year budget cuts made that year would have been \$10 million more severe, which would have required sudden, drastic service reductions to the community and sudden employee layoffs. By the end of FY 2005/06, the City expects to have spent approximately \$15.8 million of fund balance (since FY 2001/02) to cushion the severity of budget cuts. The FY 2006/07 budget assumes that \$0.2 million of additional fund balance and \$1.4 million of the Budget Uncertainty Reserve will be required to balance the budget and avoid sharper cuts in services.

3. Despite mixed signals, the economy will continue a modest recovery during FY 2006/07, enabling ongoing General Fund resources to increase by approximately 6%.

Ongoing resources reflect the revenue “base” that continues from year to year, excluding one-time resources and losses. The growth is attributable primarily to the continued strength of property tax revenues, modest growth in the sales tax base, and modest growth in business taxes, franchise fees, and property transfer taxes. While 6% projected growth in total resources reflects some confidence that the economy will grow, it is only on par with the 10-year historical average growth rate. Meanwhile, the costs of maintaining current services, especially those costs related to personnel, such as employee medical insurance, workers’ compensation, and retirement, as well as fuel and electricity costs, continue to rise. Therefore, projected revenue growth will only enable the City to keep up with current costs, with no ability to restore services that were eliminated in recent years.

4. The General Fund’s core reserves, totaling 15% of total expenditures and transfers in, will remain unused for FY 2006/07.

The City maintains two General Fund reserves, whose funding is linked to total budgeted expenditures and transfers out: the Contingency Reserve and the Program Investment Reserve. Balances and potential use of the Contingency Reserve and the Program Investment Reserve are governed by City Council policies adopted in FY 1996/97. The Contingency Reserve is intended to mitigate the effects of natural disasters or other severe unforeseen events and is to be maintained at 12.5% of total operating expenditures and transfers out. The Program Investment Reserve is available to provide seed funding for new initiatives that will generate ongoing external revenues; it is to be maintained at 2.5% of total operating expenditures and transfers out. Since the conditions for using these resources are not anticipated to be present during FY 2006/07, these reserve balances are expected to remain intact.

5. The budget for employee salaries assumes an increase of 3% over the FY 2005/06 levels. Actual cost for salaries will be determined through negotiations with employee bargaining units.

The FY 2005/06 budget included a 4% increase in salaries based on negotiated Memorandums of Understanding (MOUs) with the employee bargaining units. All MOUs are open for either full-scope or limited renegotiation in 2006. The 3% cost growth factor applied in the FY 2006/07 budget provides an estimate for budgeting purposes. If negotiated salary increases vary significantly from the budget assumption, staff will develop options for the City Council to adjust the budget for consistency with the adopted MOUs after budget adoption.

7. Total expenditures in the FY 2006/07 budget and the related forecast include a savings assumption of \$1 million per year (approximately 0.8% of total resources budgeted for use in FY 2006/07) to compensate for the historical tendency to under-spend total resources allocated.

Despite consecutive years of budget reductions, managers continue to hold positions vacant and restrain operational costs wherever possible. Consequently, the City's actual expenditure totals each year have consistently been at least \$1 million less than projected previously. Building an assumption for savings into the budget helps ensure that projections for year-end results are more accurate from the outset than they might otherwise be.

8. The budget contains no provision for future State resource takeaways beyond those included in the FY 2005/06 State budget. The City will respond to takeaways when the amount and timing of takeaways are confirmed by State legislative action.

The FY 2005/06 budget included a \$2.7 million property tax takeaway, the second such annual takeaway adopted as part of the State's FY 2004/05 budget. Unfortunately, despite these and other previous cuts to local government, the State continues to face a multi-billion dollar structural deficit in FY 2006/07 and beyond. In 2004, voters approved Proposition 1A, which ostensibly provides protection for local revenues. In reality, however, it only clarifies the rules by which the State may take local revenues. For example, the State is no longer allowed to take local revenues, *unless* it has paid back funds previously taken. While Proposition 1A provides limited protection from State takeaways, a permanent solution to the State's problem will likely involve taking some amount of City revenue.

Further takeaways would be catastrophic for public safety, public facilities, and other services. Despite increased State revenues this year, the State's structural budget gap remains, leaving local governments vulnerable to additional State takeaways beginning in FY 2008/09. This is the first year, under the rules of Proposition 1A, that the State can once again turn to cities to help balance its budget. Because it is difficult to predict when, and if, the State will take additional local government revenues, the budget does not assume a specific amount of revenues that will be lost to the State, thereby minimizing the risks associated with cutting services too far in anticipation of State cuts that may not materialize. If it appears the State is thinking about additional takeaways, staff will develop contingency plans so that the City may quickly respond to State actions. To support this assumption, the budget contains a Budget Uncertainty Reserve that could be used to forestall the need for immediate service cuts.

Resources

General Fund resources include revenues, transfers into the General Fund from other funds, undesignated fund balance, and General Fund Reserves. Total budgeted resources will be adequate to support total budgeted expenditures of \$130.5 million, so the budget is considered balanced. However, when one-time sources (i.e., fund balance and reserves) are

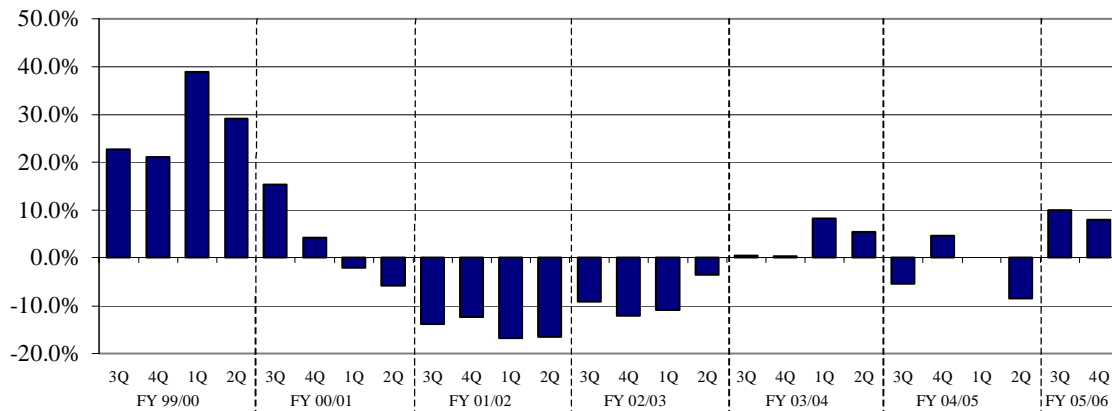
**Table #1: Change in General Fund Resources
FY 2005/06 to FY 2006/07 (\$ millions)**

<u>Revenues</u>	<u>FY 2005/06 est.</u>	<u>FY 2006/07 budget</u>	<u>Difference</u>
Property taxes	\$39.0	\$41.3	+\$2.3
Sales and use taxes	24.2	25.4	+1.2
“Triple flip” sales tax replacement	7.2	8.1	+0.9
Vehicle License Fees (VLF)	1.4	1.5	+0.1
VLF property tax replacement	13.5	13.8	+0.3
Business taxes	6.6	6.9	+0.3
Franchise fees	7.6	8.0	+0.4
Hotel/motel tax	2.3	2.5	+0.3
Investment earnings	2.7	2.8	+0.1
Other revenues	10.1	11.1	+1.0
Ongoing revenues subtotal	114.6	121.4	+6.8
Recurring transfers from other funds	6.9	7.5	+0.6
<u>One-time losses/bridging resources</u>			
Revenue loss (State ERAF III)	-2.7	0.0	+2.7
Use of undesignated fund balance	7.2	0.2	-7.0
Use of Budget Uncertainty Reserve	0.0	1.4	+1.4
Total budgeted resources	\$126.0	\$130.5	\$4.5

excluded, the sum of ongoing revenues, highlighted in Table #1, plus recurring transfers in from other funds, falls short of covering the service costs by \$1.6 million. Bridging the gap will require spending all of the remaining fund balance, estimated to be \$0.2 million, and \$1.4 million from the Budget Uncertainty Reserve.

Property taxes are projected to remain the City’s largest revenue source in FY 2006/07. Despite the decline in other major revenues since the peak year of FY 2000/01, property tax revenues have remained strong. Residential property values comprise two-thirds of Fremont’s property tax base. Relatively low mortgage interest rates and high demand for real estate continue to drive residential property values higher. Property tax revenues in FY 2005/06 are estimated to increase 6% over the prior year. Revenue the City will receive in FY 2006/07 is based on property valuation as of January 1, 2006, and reflects continued valuation strength and market vigor. Therefore, property tax revenues are projected to grow by 6% in FY 2006/07 to \$41.3 million. Staff will continue to monitor the real estate market. The effects of the current cooling trend in transaction volume will temper staff’s outlook for FY 2007/08 growth, now projected at 5% growth.

Chart #1 - Sales Tax Volatility: FY 1999/00 -- FY 2005/06 (Q4)
Quarterly Change* from Same Quarter of the Prior Year



* Data not necessarily reflective of actual revenues received. Data adjusted for economic period payment irregularities to illustrate underlying economic conditions.

In contrast to the consistently strong trend for property tax revenues, sales tax trends are emblematic of the City's revenue volatility. After reaching a high point of \$33.2 million in FY 2000/01, sales tax revenues endured a multi-year decline to a low point of \$26.8 million in FY 2003/04. The steep drop was caused by the collapse of the Silicon Valley technology market and Fremont's reliance on sales taxes from high-tech manufacturers. Sales taxes from the high-tech sector now appear to be stabilizing. In addition, the City's efforts to diversify and strengthen the sales tax base by increasing the consumer retail sales and auto sales tax bases are beginning to pay off. Based on recent quarters' strong retail receipts, the City is projecting 13% revenue growth for FY 2005/06. While the receipts from recent quarters are encouraging, Chart #1 illustrates the volatility that complicates forecasting efforts. Staff is not yet confident that a long-term positive trend is underway. Therefore, the revenue projections assume that sales tax revenue will grow modestly, by 5%, for FY 2006/07.

The City now receives its sales tax revenues in two parts: 75% from the traditional share of the sales taxes paid on consumer purchases, and 25% from the "triple flip" property tax replacement revenue. The "triple flip" refers to the State's mechanism for financing its 2004 Economic Recovery bonds, whereby the State receives 25% of cities' sales tax revenues in exchange for an equal amount of additional property taxes. The amount of property tax replacement revenue is equal to 25% of "regular" sales tax revenues generated in the prior fiscal year. Since "regular" sales tax revenues are projected to grow by 13% in FY 2005/06, the triple flip replacement portion (25% of total) of the City's sales taxes are projected to grow by the same factor in FY 2006/07, yielding \$8.1 million. The aforementioned 5% growth rate is projected for the "traditional" sales tax (75% of total), yielding \$25.4 million in FY 2006/07. Together, both components of sales tax are projected to total \$33.5 million in FY 2006/07.

Vehicle license fee (VLF) revenues also come to the City in two parts. The first part, VLF paid by motorists, remains at one-third of historical levels.

VLF revenues are allocated statewide, based on population, and are expected to grow by 5% in FY 2006/07. The second part comes in the form of additional property taxes. Instead of receiving backfill for the remaining two-thirds directly from the State General Fund, local governments now receive additional property tax revenues. The amount received is based on the City's growth in assessed property valuation. Since the City's assessed valuation grew by 7.9% in FY 2005/06, staff expects the property tax component of vehicle license fee revenues to grow by 7.9% in FY 2006/07. After accounting for a one-time State payment of \$0.7 million in FY 2005/06, the total from both components is projected to grow from \$14.9 million in FY 2005/06 to \$15.3 million in FY 2006/07.

Hotel/motel tax revenues were rocked by the Silicon Valley recession. While not the City's largest revenue source, hotel/motel taxes declined by the largest percentage, a staggering 60%, between FY 2000/01 and FY 2003/04. This decline is the most striking, and perhaps most symbolic, example of revenue volatility stemming from the downturn in the economy. Between FY 1998/99 and FY 1999/00, hotel/motel tax revenues nearly doubled, growing to \$4.3 million in FY 2000/01 before dropping to a low of \$1.8 million in FY 2001/02. Five years after the sharp drop, staff believes that the hotel market may have stabilized; monthly receipts through February 2006 show approximately 15% revenue growth from the same period of 2005. The FY 2006/07 projection of 10% growth, which would yield \$2.5 million in revenues, reflects cautious optimism that the rebound will continue.

Business taxes and franchise fees remain relatively stable, with moderate growth projected for both. Business taxes are projected to yield \$6.6 million in FY 2005/06, and \$6.9 million in FY 2006/07. The City levies franchise fees on providers of electricity, natural gas, residential garbage and recycling, and cable television services. Franchise fee revenues are based on franchisee gross revenues, which are largely a function of rates and customer usage. Electricity and gas franchise fees are the most volatile, and have the largest effects on City revenues. Franchise fee revenue was virtually flat for FY 2005/06, mostly because PG&E held rates constant during the fee reporting period. Planned electric and gas rate increases for FY 2006/07 are driving staff's projection for 5% revenue growth, which would result in \$8.0 million in total fee revenues.

Table #1 includes a line for "other revenues," which contains charges for services, law enforcement fines, paramedic fees, and State reimbursements for mandated services. With the exception of law enforcement fines, the revenues in this category are each projected to grow at a rate of 3-5%, comprising \$0.6 million of the increase. The balance of the projected increase is attributable to \$0.4 million in additional revenues from fines resulting from expansion of the red-light enforcement program. Much of the new revenue will be required to offset the cost of expanding the program.

The General Fund receives transfers from other funds for general government services (such as human resources, finance, and legal assistance) provided to operations funded outside the General Fund (such as development services and recreation services). Charges are based on the non-General Fund operation's proportional share of the total operating budget expenditures

and transfers out. This proportional share of the total budget is the share of general government service costs allocated. In FY 2005/06, transfers in from other funds are projected to be \$6.9 million. Based on budgeted expenditures, transfers in are expected to total \$7.5 million in FY 2006/07.

Undesignated fund balance is another resource available to balance the budget. If, in a given year, total resources available exceed total uses, the “surplus” increases fund balance. Fund balance has been a crucial resource for cushioning the City’s transition to a lower revenue base in recent years. Instead of spending all of the revenues received during the “boom” years of the late 1990s, the City set aside a portion of annual revenues in fund balance for use in future years. When revenues dropped suddenly during FY 2001/02 and the City anticipated a year-end budget shortfall, the City used \$10 million of fund balance to balance the budget. If fund balance had not been available, the City would have had to use reserve funds or suddenly cut services, through staffing layoffs, to end the year in financial balance.

The City is expecting to spend \$7.3 million of fund balance in FY 2005/06 to cover the expected budget shortfall caused by several factors: 1) a \$2.7 million State takeaway, 2) increased costs to pay interest on the City’s variable rate debt, and 3) a one-time transfer of \$4.1 million to the Budget Uncertainty Reserve. The transfer is the final step in resolving a multi-year sales tax appeal to the State Board of Equalization (SBE) related to \$4.1 million of sales tax revenue generated in Fremont that the SBE had incorrectly allocated to other communities. Resolution of the appeal required the City to recognize the revenue in FY 2004/05. In FY 2005/06, the City Council transferred the revenue to the Budget Uncertainty Reserve pending further consideration of budget priorities. Using \$7.3 million of fund balance in FY 2005/06 would leave only \$0.2 million of undesignated fund balance for use in the future. The FY 2006/07 budget assumes that the remaining fund balance and \$1.4 million of Budget Uncertainty Reserve funds will be required to balance the budget and avoid further cuts in services.

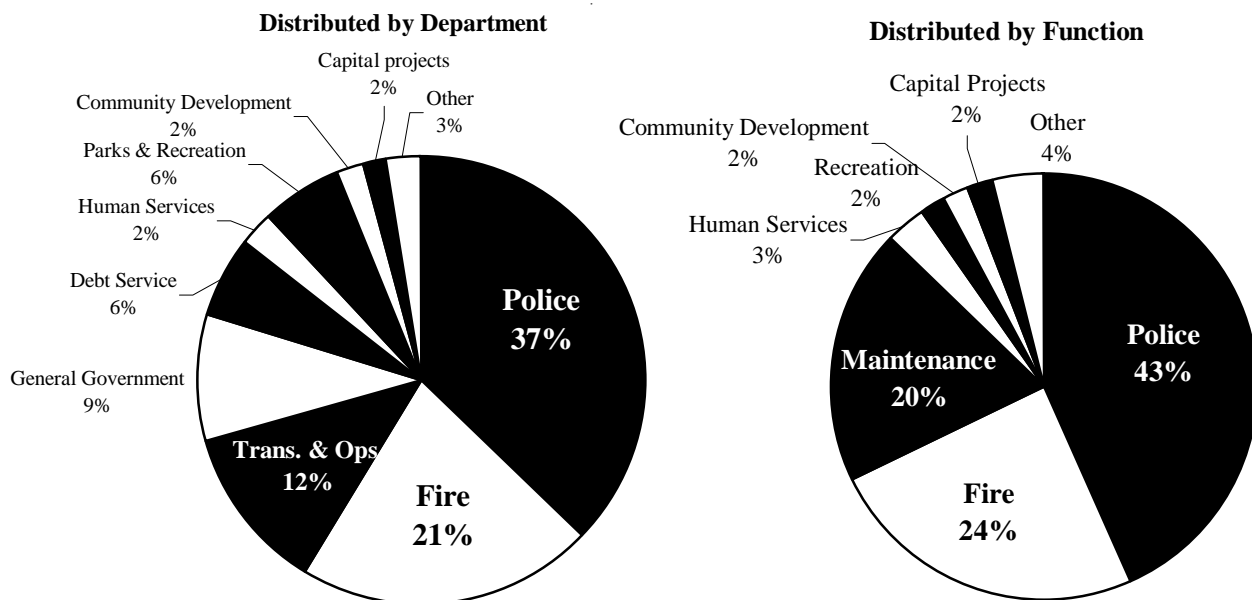
Expenditures

The City has been transitioning to a permanent lower revenue base for several years. The tech sector recession that began in 2001, coupled with the terrorist attacks of September 11, 2001, caused a dramatic drop in City revenues in FY 2001/02 and FY 2002/03. That relatively sudden revenue shock prompted budget cuts for FY 2003/04 of greater than 20% and service cuts throughout the City organization. These cuts were disruptive to the community and to City employees; 224 positions were eliminated, approximately half of which were filled and required layoffs. While difficult, the FY 2003/04 reductions afforded the City some time during FY 2004/05, without budget cuts, to monitor the economy and survey the community before making further budget and service cuts. Following a rejected revenue ballot measure in November 2004 that would have enabled the City to close the budget gap and restore services, the City cut ongoing costs once again, equal to 5% in all non-safety functions, for the FY 2005/06 budget.

These reductions, along with the use of fund balance to prevent deeper cuts, helped the City bring ongoing costs into line with a permanently lower revenue base. Projected service costs for FY 2006/07 continue to exceed ongoing revenues, but the availability of fund balance and the Budget Uncertainty Reserve will enable the City to avoid further service reductions this year while discussions with the community about permanent solutions continue.

FY 2006/07 budgeted expenditures and transfers to other funds total **\$130.5** million. The budget maintains the City Council's long-time funding priorities by allocating **76%** of the budget to direct costs for public safety and maintenance (in Chart #2, maintenance is represented by the General Fund budget for Transportation and Operations, and Parks and Recreation). As Chart #3 shows, the share of General Fund resources budgeted for these purposes is actually **86%**, when overhead costs required to support them

**Charts #2 and #3: FY 2006/07
General Fund Budgeted Expenditures and Transfers Out**



are allocated. Maintaining these priorities within constrained revenues and in the face of rising costs makes it impossible for the City to continue providing other services at the levels the community has come to expect. The FY 2006/07 budget continues all of the service reductions implemented since FY 2001/02. The "Budget Overview" section of this document chronicles the service impacts of recent budget cuts in more detail. Without new revenues, services will continue to deteriorate, and slow revenue growth will preclude the investments required to keep Fremont a high-quality community.

The \$130.5 million budgeted for ongoing services in FY 2006/07 is 7% higher than comparable expenditures and transfers out in FY 2005/06. The budget does not fund any new programs or new positions; increases are attributable to rising costs of maintaining the existing, reduced, service base.

Like all businesses, the City must cope with rising costs for everything from service contracts and utilities to employee salaries, health care, and workers' compensation.

Basic city services, such as police, fire, and maintenance, are labor-intensive. Therefore, the City's budget is largely driven by labor-related costs, including salaries, health benefits, and retirement system contributions. These costs comprise 81% of the FY 2006/07 budgeted expenditures (excluding transfers out to other funds), or **\$75.5** million. These costs, in total, are increasing 3% from FY 2005/06 levels. Notably, retirement system costs are decreasing by \$500,000 for FY 2006/07.

Risk management costs, specifically workers' compensation and general liability, and rising interest rates are other significant factors in overall cost increases for FY 2006/07. The budget for workers' compensation is increasing \$400,000, based on recent actuarial studies that reflect increasing injuries in public safety departments. In the general liability area, actual costs have not increased significantly, but a change in the way the City budgets for an annual premium rebate requires a budget increase of \$500,000. Beginning in FY 2006/07, the budget will include the full premium amount, and the rebate received will reduce actual expenditures for the year, and will then be reflected in funding needs in the following fiscal year. Additional information on Risk Management costs may be found in the Internal Service Fund section of this document.

Other cost increases for FY 2006/07 are routine and modest, linked to assumptions for general consumer inflation. The budget for materials, supplies, and other non-staffing items is increasing by 1%.

Transfers Out to Other Funds

In addition to direct expenditures, the General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities range from capital projects and debt service, to maintenance and certain cost center operations, to reserve accounts with specific purposes. The transfer supporting debt service costs is the most significant change from the FY 2005/06 level. Approximately \$1.1 million of the \$1.7 million budget increase results from rising interest rates on the City's variable rate debt. The remaining \$600,000 reflects the end of a "credit" in FY 2006/07 that has provided budget relief in recent years. The credit resulted from the decision in 2002 to cancel plans to build Fire Station #11 in light of the severe spending cuts underway at the time. A portion of the proceeds from bonds that had been issued in 2002 for the construction of the new Maintenance Center and Fire Station #11 were reallocated to pay the debt service on those bonds. The use of bond proceeds to repay debt saved the General Fund more than \$2.9 million in debt service over three years. With no proceeds remaining to offset costs in FY 2006/07, the budget must increase to support the full cost of the debt service for the Maintenance Center.

The transfer to Maintenance is increasing by \$1.0 million, which is 5% more than the FY 2005/06 level. This amount will partially cover increasing employee costs, information systems costs associated with the new Maintenance Center, and the Maintenance share of increasing risk management costs.

Transfers to cost centers, which are enterprise-like mechanisms for funding the Community Development, Recreation, and Senior Center functions, are increasing by \$1.1 million, to \$5.1 million total. The increase follows a year during which the transfers to the Community Development and Recreation cost centers were reduced by \$500,000 each, on a planned one-time basis (in addition to the citywide 5% reduction), to help balance the General Fund budget. After excluding the \$1 million restoration of General Fund support from the percentage change calculation, the ongoing level of support for the function is increasing by 2% for FY 2006/07.

The General Fund contains three reserves that may be funded with annual transfers from the General Fund:

- the Contingency Reserve, which is intended to help mitigate the effects of natural disasters and severe, unforeseen events;
- the Program Investment Reserve, which provides a source of working capital for new initiatives that have the potential to generate significant funding from external sources; and
- the Budget Uncertainty Reserve, which is intended to offset quantifiable revenue uncertainty in the budget.

Table #2 summarizes the FY 2005/06 projected funding levels for each reserve. Funding levels for the Contingency Reserve and the Program Investment Reserve are linked to the amount of total expenditures and transfers out budgeted each year (12.5% and 2.5%, respectively). Based on the budget for expenditures and transfers out, the transfer to these reserves will total \$1.3 million in FY 2006/07. As the table below illustrates, total General Fund reserves are increasing from \$33.4 million to \$34.6 million to keep their balances in compliance with City Council reserve policies (which can be found in the “Policies and Glossary” section of this document). The Budget Uncertainty Reserve does not have a targeted funding level, so there is no required contribution in FY 2006/07.

Table #2: General Fund Reserves

	FY 2005/06 est. balance	FY 2006/07 transfer	FY 2006/07 projected use	FY 2006/07 balance
Contingency Reserve	\$15.1 M	\$1.1 M	\$0.0 M	\$16.2 M
Program Investment Reserve	3.0	0.2	0.0	3.2
Budget Uncertainty Reserve	15.3	0.0	(1.4)	13.9
Total General Fund Reserves	\$33.4 M	\$1.3 M	\$(1.4) M	\$33.3 M

The FY 2006/07 budget does not anticipate the need to spend the City's two core reserves. Experience since FY 2001/02 has reminded the City how quickly the economy can change or the State can take City revenues to solve its problem. Related budget experience has further shown how quickly one-time resources (fund balance, for example) can be consumed in response to sudden revenue losses. With these lessons in mind, the City is reluctant to spend reserves. Reserves are one-time resources, and are therefore not replaced once they are spent. For FY 2006/07, however, the City is projecting the need to spend **\$1.4** million of the Budget Uncertainty Reserve to help balance the budget.

Financial Forecast

The financial forecast is a planning tool that helps staff identify important trends and anticipate the longer-term consequences of budget decisions. While not perfect, the forecast tools have been instrumental for modeling the effect of such recent budget issues as rising retirement system costs, the short- and long-term consequences of issuing variable rate debt, and potential scenarios of future revenue performance. The ability to model cost and revenue trends beyond the next budget year helps the City make proactive budget decisions early in an economic cycle, such as the recent economic downturn. As a case in point, delaying the budget cuts adopted with the FY 2003/04 budget would have resulted in even larger gaps to close, and more drastic solutions to endure, in FY 2005/06 and FY 2006/07.

The forecast is not a plan, but a model based on cost and revenue assumptions that are updated continuously. Of these components, future cost projections, based on known costs, are relatively reliable. Revenue forecasts, on the other hand, are based on assumptions related to future economic conditions, which are fraught with uncertainty. Economic forecasts in financial markets and the media swing from optimistic to pessimistic on a seemingly weekly basis. For this reason, the forecast is updated continuously, and is the subject of periodic City Council discussion.

Table #3: Key General Fund Revenues: Annual Growth Assumptions

	FY 2006/07 budget	FY 2007/08 projection
Property taxes	6%	5%
Sales and use taxes	5%	4%
Vehicle license fees (VLF)	5%	5%
VLF property tax replacement	8%	7%
Business taxes	5%	5%
Hotel/motel taxes	10%	10%
Franchise fees	5%	5%

Other key forecast assumptions:

- While Proposition 1A, passed by voters in 2004, provides limited protection for local revenues, potential State revenue takeaways are

not predictable enough to warrant modeling, and are not included in the forecast.

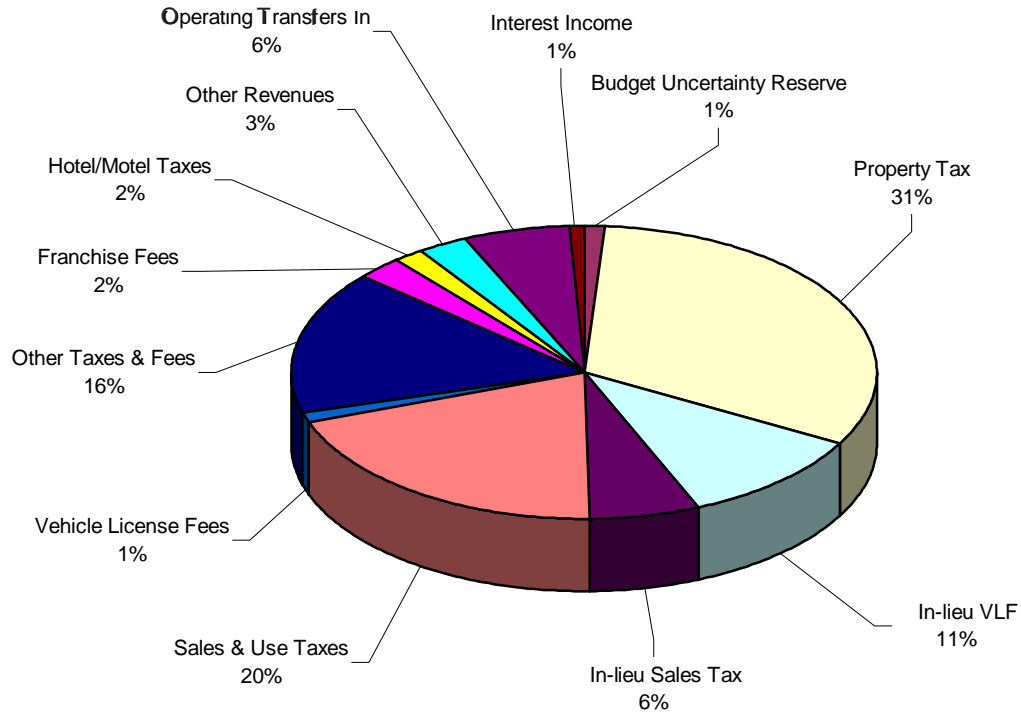
- Significant additional revenues within existing revenue categories (e.g., property and/or sales tax) due to planned new construction is included.
- All service reductions and corresponding budget reductions implemented in prior years remain in place for the forecast period.
- Commitments are included for fund transfers contained in the adopted FY 2005/06 – FY 2009/10 CIP/ICAP.
- Commitments are included for all known and anticipated debt service.

The financial forecast may be found on page 71 of the budget document. Projected costs exceed projected resources (excluding fund balance and reserves) through FY 2006/07. The forecast suggests that beginning in FY 2007/08, resources will be adequate to support the anemic service levels adopted with the FY 2006/07 budget, albeit with practically no ability to restore services or increase investments in maintenance or capital projects. Without significant new resources, the City will be unable to deliver the service levels the community expects and that make Fremont a great community.

General Fund Operating Resources

City of Fremont 2006/07 Adopted Operating Budget

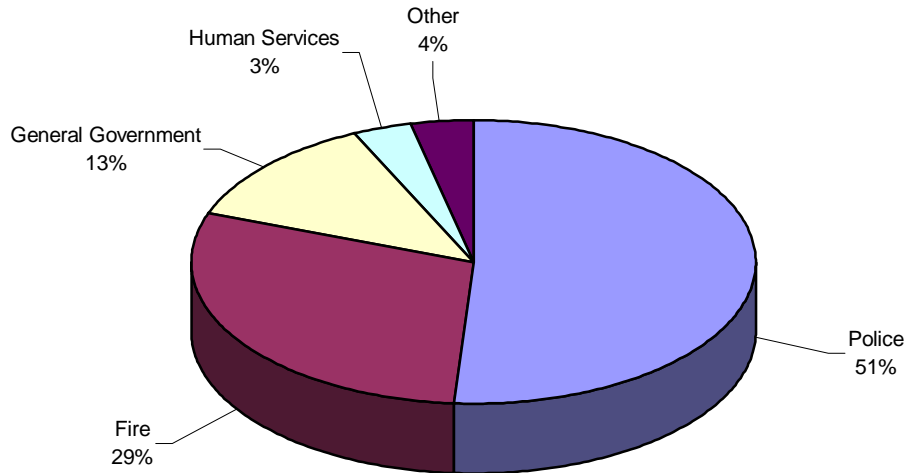
General Fund Available Resources Fiscal Year 2006/07: \$130,540,000



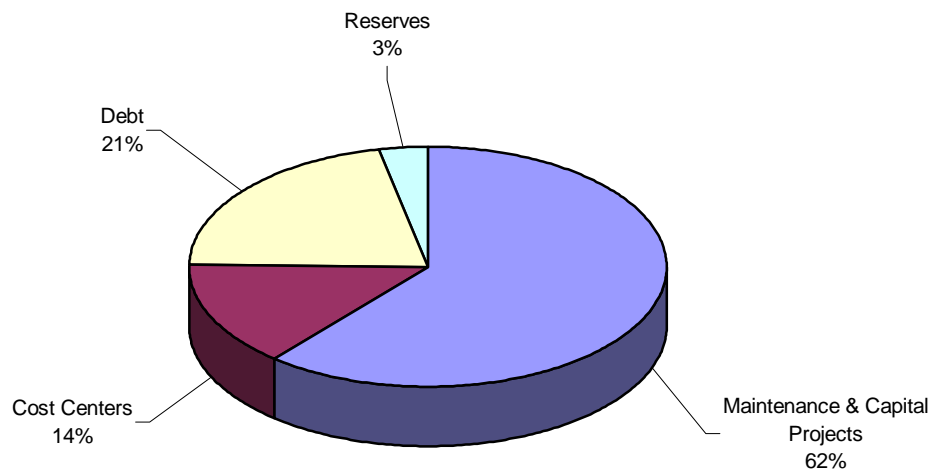
General Fund Allocation of Resources

City of Fremont 2006/07 Adopted Operating Budget

General Fund Expenditures Fiscal Year 2006/07: \$93,919,000



General Fund Transfers Out Fiscal Year 2006/07: \$36,621,000



Non-Departmental Budget

General Fund appropriations not directly associated with specific departments are classified as “nondepartmental.” Expenditures and certain types of anticipated general savings that are not identified with or allocated to individual departments are included in the non-departmental budget.

Budgeted Expenditures

- | | |
|---|----------------|
| • Annual Operating Contingency Account | \$625,000 |
| • Employee leave cash-out | 1,000,000 |
| • Property tax administration fee and revenue
audit fees | 440,000 |
| • Other non-departmental | <u>490,000</u> |

Non-Departmental Budget	<u><u>\$2,555,000</u></u>
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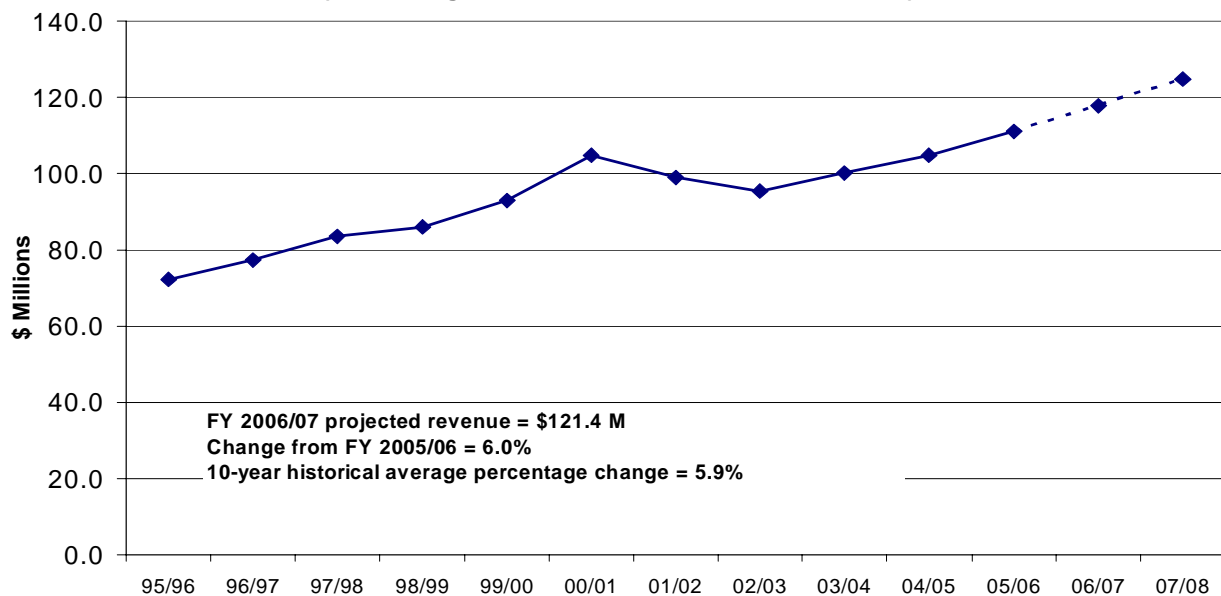
General Fund Revenues

Overview

Total FY 2006/07 General Fund estimated revenues (excluding transfers from other funds, fund balance, and reserves) are \$121.4 million, which is \$6.8 million, or 6%, more than total on-going estimated revenues for FY 2005/06. The FY 2005/06 revenues were reduced by the second and final \$2.7 million shift of property tax to the State. Seventy-five percent of the City's revenue is controlled by the State, including property taxes, sales taxes, and vehicle license fees; all of which the State has manipulated in recent years.

In March 2000, Fremont and the rest of Silicon Valley were riding a stock market crest and enjoying the fruits of that summer's record shipments of the high-tech products produced in the area. The winter 2000 "dot-com" collapse ushered in a recession that shook the stock market, decimated local governmental revenues, and began a period of financial crisis for both the City and the State of California. As the graph below shows, City revenues declined sharply between FY 2000/01 and the end of FY 2002/03.

General Fund Revenue History and Forecast
(Excluding one-time effects and transfers-in)



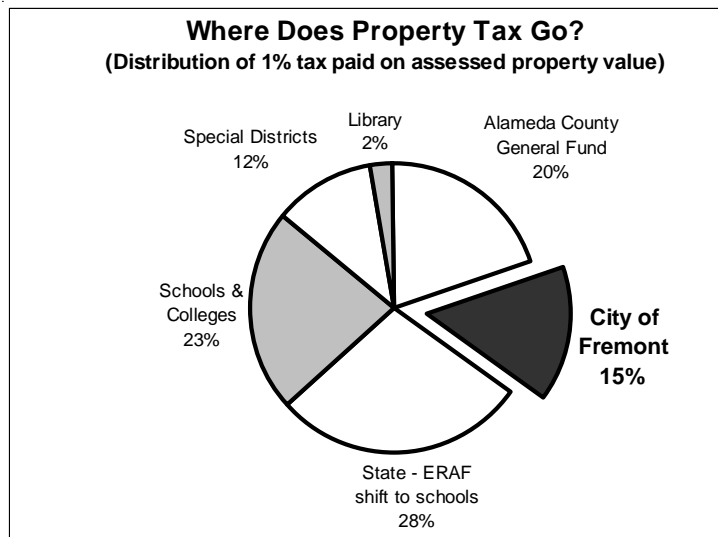
Although the City's revenue base and its local economy are showing signs of revival, continuing uncertainty caused by both the unpredictable economy and the lack of city-controlled revenue sources remains the central challenge to budgeting revenues for FY 2006/07. This section provides additional background and forecast information for the following key General Fund revenues:

- Property Taxes
- Sales and Use Taxes – including “triple flip” revenues
- Vehicle License Fees (VLF) – including the VLF replacement revenues
- Franchise Fees
- Hotel/Motel Taxes
- Business Taxes

Property Taxes

Description: Property tax is an ad valorem tax (based on value) imposed on real property (land and permanently attached improvements such as buildings) and personal (movable) property. Proposition 13, adopted by California voters on June 6, 1978, created a comprehensive system for the assessment and limitation of real property taxes. Property owners pay the tax based on their real property's adjusted assessed full value. Proposition 13 set the FY 1975/76 assessed values as the base from which future annual inflationary assessed value increases would grow (not to exceed 2% for any given year). The County Assessor also re-appraises each real property parcel when there are purchases, construction, or other statutorily defined "changes in ownership." Proposition 13 limits the property tax rate to 1% of each property's full value plus overriding rates to pay voters' specifically approved indebtedness. Property taxes are the City's single largest revenue source, comprising approximately 35% of total FY 2005/06 projected revenues, or \$39.0 million.

The City of Fremont receives 15 cents of every dollar of property tax paid (see graph below). Alameda County and the Fremont Unified School District receive most of the revenue from property taxes assessed on real property located in the City.



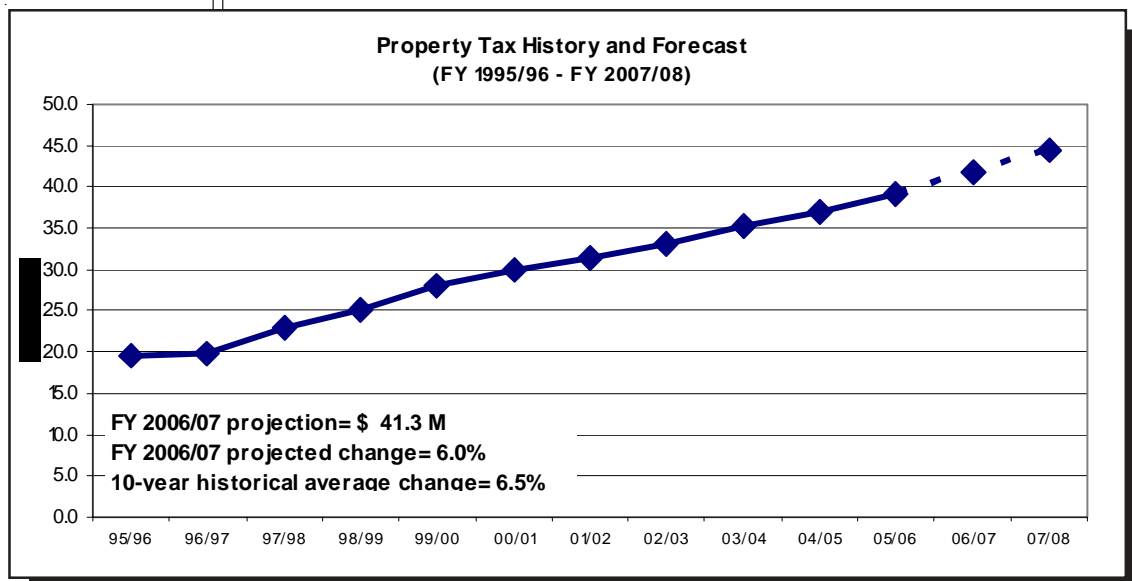
Proposition 13 (Section 1, Article XIII A, of the State Constitution) transferred control and accountability for property tax rates from city and county governments to the State government. It allows the State Legislature to apportion property tax collections among the various cities, counties, and special districts "according to law." In the late 1970s, the State Legislature settled on an allocation method under which each local government's percentage share of property taxes was the same as that government's prorated share of the entire county's property taxes in the mid-1970s. Beginning in 1992, the Legislature reduced city allocations through the ERAF I and ERAF II legislation so that tens of millions of dollars in City property taxes were transferred to the schools. This shift costs the City of

Fremont approximately \$12 million per year. More recently, in FY 2003/04, the Legislature again re-allocated property taxes by adopting ERAF III. This cost the City of Fremont and the Redevelopment Agency \$5.4 million and \$4.6 million, respectively, in FY 2004/05 and FY 2005/06.

California voters passed Proposition 1A on November 4, 2004, giving California cities some relief from future State tinkering with traditionally local revenues. The State Legislature can only change city property tax allocations in emergencies upon a two-thirds vote in both legislative bodies, and then for only two years before the revenue has to be repaid. While not perfect, these provisions help reduce the City's revenue uncertainty somewhat for FY 2006/07.

Forecast: Property tax revenues are projected to total \$39.0 million in FY 2005/06. Staff projects a 6% growth rate for FY 2006/07, which would yield \$41.3 million.

Including inflationary growth (based on Consumer Price Index increases with a maximum increase of 2% over a property's prior year full value assessment), City real property assessed values increased at almost an 8% clip because of the Bay Area's phenomenal housing market over the last three years. Real estate sales volume slowed in early 2006, but both volume and values remain strong by historical standards. Fremont housing market price increases over the past five years established the basis for projected property tax growth in FY 2006/07 because the taxes are based on January 1, 2006 assessments.



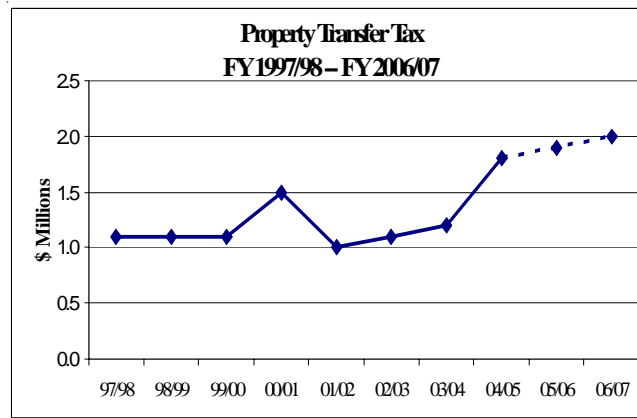
Key Factors in the Forecast: The most significant property tax revenues indicator is the change in property assessed values. Properties are re-appraised upon most ownership changes and for new construction. Strength in Fremont's real estate market drove both the assessed values and City revenue growth in the second half of the 1990s, and again in the middle 2000s. The taxes for FY 2006/07 were assessed effective January 1, 2006, so price declines that might be caused by interest rate hikes and other market influences will not change these values. Even a moderate decline in housing sales prices (as forecast by certain economists) will not seriously strain the City's FY 2006/07 revenue forecasts because the taxes are based on the January 1, 2006 assessment.

However, interest rate increases pose a risk to the housing market's continuing vitality. Much of the value run-up relates to historically low home mortgage interest rates. These low rates may be ending. The federal central bank's Federal Open Market Committee (FOMC) reduced the federal discount interest rate 13 times after the dot-com collapse and the September 11, 2001 terrorist attacks. This rate reached 1% on June 25, 2003, and stayed there for a year. Since June 2004, the FOMC raised this key rate in 15 one-quarter percent increments until it stood at 4.75% on March 28, 2006. FOMC committee member comments suggest that more rate increases are likely. Although the federal discount rate is a short-term rate used for overnight borrowings by Federal Reserve System banks, it has a wide-spread effect on the financial markets. These rate increases put upward pressure on home mortgage rates — especially adjustable-rate-mortgages (ARM) that are tied to interest rate indices.

By some estimates, more than 30% of the home sales in California are now financed by ARM loans. Higher interest rates could cause these mortgage interest rates to reset to the higher rates. Although many economists discount the possibility of a "housing bubble burst" similar to the dot-com collapse, a significant housing adjustment could dampen the overall local economy. Substantial real property sales volume and property value declines pose economic risks to future City property tax and sales tax growth rates. Sales taxes could be affected by a reduction in consumer purchasing power in the face of falling home values.

The fledgling high-tech industry recovery is encouraging, but still fragile. Although not a factor to date, vacant commercial, research, and/or industrial properties increase the risks of property valuation appeals (lower re-appraised values can reduce assessments and revenues) and of property tax payment delinquencies. Commercial and industrial properties comprise about one-third of Fremont's property tax base.

The State projects that its revenues will be sufficient to meet its financial obligations in FY 2006/07, but that optimism rests on one-time revenues related to recently surging personal income and corporate tax receipts. While Proposition 1A provides limited protection from future State take-aways, beginning in FY 2008/09, the State could again "borrow" property tax and/or sales tax



revenues from local agencies on a two-thirds vote of the Legislature if a new financial crisis develops.

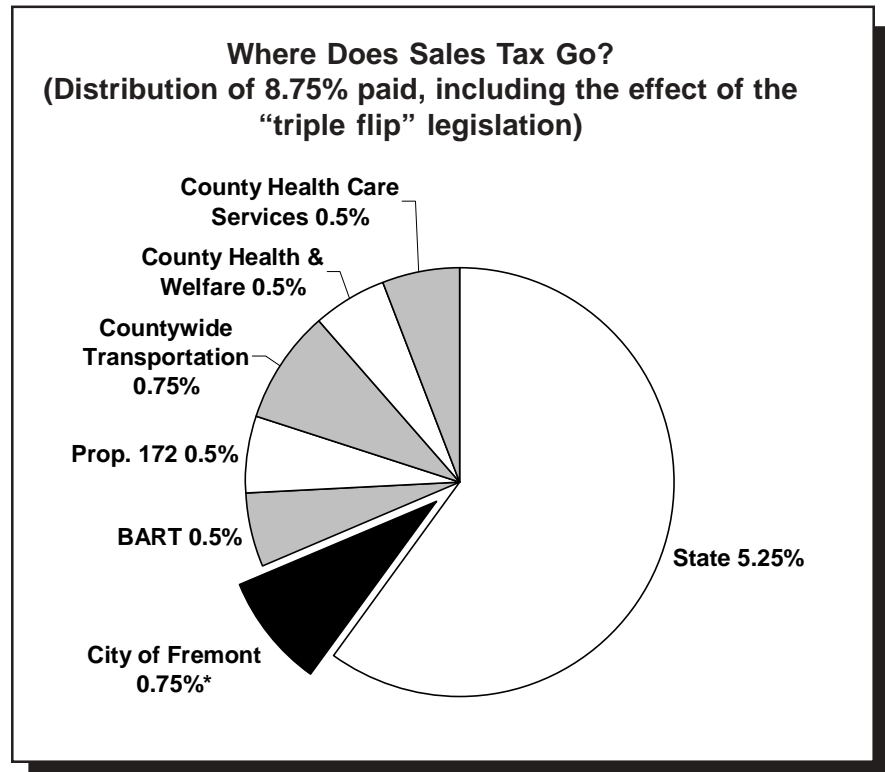
Despite risks to the property tax base, the steady property transfer tax revenues reflected in the chart above provide evidence that Fremont real property is still changing hands through real estate transactions. This activity decreases the possibility of steep negative adjustments to property tax revenues. Generally, real property transactions that generate property transfer taxes also trigger re-assessment under Proposition 13.

Sales and Use Tax

Description: The local sales and use tax rate is 8.75%. Sales tax is collected on the sale of taxable goods within Fremont. Use tax is the corresponding tax on transactions involving taxable goods purchased out of state for use or storage in Fremont. Sales and use taxes are collected by the State which then pays local government its respective share. Sales and use taxes (collectively, “Sales Taxes” in the budget) are the City’s second-largest revenue source and comprise about 28% of FY 2006/07 General Fund revenues.

In March 2004, California voters passed Proposition 57 approving the sale of State Economic Recovery Bonds. The bond proceeds were used to fund the State’s cashflow deficit and avert an operational financial crisis. To issue the bonds, the State needed a steady revenue source it could pledge to secure its payments – like sales taxes. To solve its problem, the State implemented the “triple flip.” Under the “triple flip,” the State’s bonds are secured by a quarter cent increase in the State’s share of sales tax with a corresponding decrease in local governments’ share of sales tax (there was no sales tax rate change). To compensate for the loss, local governments will receive additional real property taxes, that would otherwise go to the schools (which will receive State General Fund payments), until the State’s Economic Recovery Bonds are repaid. The additional property taxes are to replace the lost sales taxes on a dollar-for-dollar basis.

Before FY 2004/05, the sales tax rate in Fremont was 8.25%. The City received 12.1% of the tax paid, which was approximately 1% of the price paid for the good. In March 2004, Alameda County voters passed Measure A, which raised the sales tax rate by 0.5% to 8.75% to fund County Health Care Services. As shown below, the City's receives 0.75% of each taxable sale, which equates to 8.6% of total sales tax revenues collected by all jurisdictions, down from the 12.1% we used to receive.



*Alameda County receives a 5% share of the City's share of sales taxes, or 0.05% of the total. This means that the City's actual share is 0.71% after the triple flip.

Forecast: FY 2005/06 sales tax revenues, including the "triple flip" replacement, are projected to be \$31.4 million. The FY 2006/07 budgeted amount is \$33.5 million, or \$2.1 million more. For projection purposes, sales taxes have several components: the local retail economic base, the property tax replacement related to the triple flip, and Proposition 172 sales tax revenue. The following table relates the component projections to the total.

Projection component	FY 2005/06 est.	FY 2006/07 proj.	Difference
"Regular" retail sales economy	\$22.9 M	\$24.0 M	+\$1.1 M
"Triple flip" property tax replacement	7.2	8.1	+0.9
Prop. 172 sales taxes	1.3	1.4	+0.1
Total Sales Taxes	\$31.4 M	\$33.5 M	+\$2.1 M

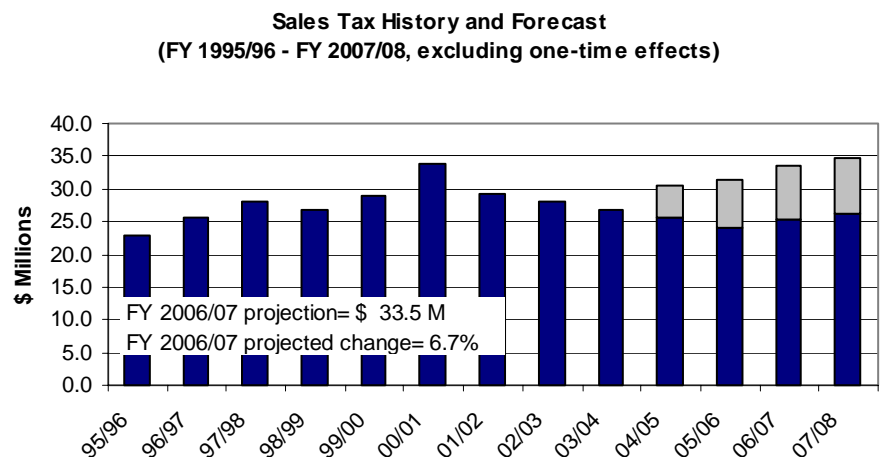
The local retail economic base is generally considered "regular" sales tax. It is the 0.75% of the price paid for taxable goods, referenced above, that is received by the City. Of the \$2.1 million projected increase, approximately

\$1.1 million is attributable to growth in the retail base. This increase of 5% from the FY 2005/06 level reflects staff's assumption for modest economic growth in FY 2006/07. Staff expects existing retail businesses to generate two-thirds of this amount, with the remaining one-third coming from new retail opening in FY 2006/07 at Pacific Commons and other locations in Fremont.

The "triple flip" property tax replacement revenues are projected to increase by \$0.9 million in FY 2006/07. The replacement revenues the City receives is based on the growth in "regular sales tax" revenues from the prior year. Since sales tax revenues are projected to grow by 13% in FY 2005/06; the "triple flip" component of FY 2006/07 sales taxes are projected to grow by the same amount.

Prop. 172 sales taxes are the City's share of the one-half cent sales tax for public safety services approved by California voters in 1993. In FY 2005/06, the City's share is expected to be \$1.3 million. Unlike "regular" sales tax revenues, which are based on retail activity in Fremont, Prop. 172 is collected statewide, so annual changes more closely resemble the statewide retail economy. For FY 2006/07, the statewide sales tax revenues are projected to grow by 5%, so the Prop. 172 component of the City's sales taxes are projected to be \$1.4 million. Annual growth or decline in Prop. 172 sales taxes are the final component of the total sales tax projection.

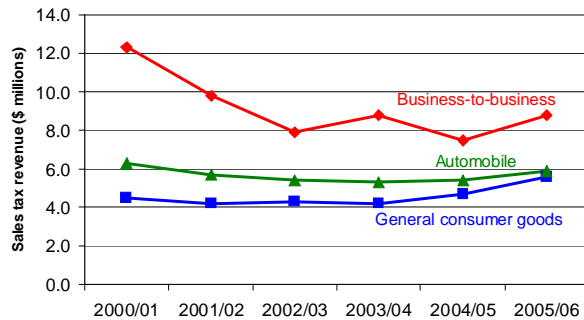
The graph below displays the sales tax forecast. In FY 2004/05, the City began to receive "triple flip" property tax payments. The darker bars on the graph represent traditional sales tax dollars (including Prop. 172 revenue), and the gray portion of the bars represent property tax dollars the City is receiving in lieu of sales taxes under the "triple flip."



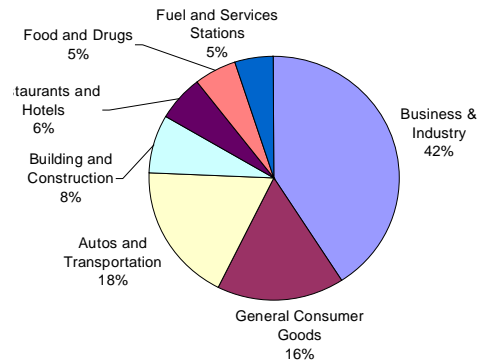
Key Factors in the Forecast: The FY 2006/07 sales tax revenue budget (including the "triple flip" property tax reimbursements) remains \$1 million less than the \$34.5 million in actual FY 2000/01 sales tax revenues. The Business and Industry segment includes most business-to-business activity and remains the largest segment of the sales tax pie. This segment grew from 30% of the tax base in FY 1990/91 to 41% in FY 2000/01. The high-

tech sector recession that began in 2001 continues to dampen business-to-business sales levels. For FY 2005/06, it will only constitute about 29% of the sales tax base. This City revenue remains vulnerable to any weakness in the Silicon Valley economy. The City's largest sales tax segments are highlighted in the following graph.

**Evolving Composition
of Major Sales Tax Revenue Sources**



**Sales Tax Base Composition
10 Year Average: FY 1994/95 -- 2003/04**



Since the peak year of FY 2000/01, revenue from the Business and Industry sector has decreased by one-third, or approximately \$4 million. Most other retail categories have been stable or have increased modestly. The FY 2006/07 budget assumes that the economy will continue to recover at its modest FY 2005/06 pace, and that inflation will remain low (CPI-U was about 2% in the local area). The City continues to watch for early warning signs of a "housing bubble burst" that might hinder the local economic recovery and result in sales tax revenue declines.

Vehicle License Fees (VLF)

Description: A vehicle license fee is imposed on vehicles registered in California. The fee is administered by the State on behalf of cities and counties in lieu of their assessing other local taxes on personal property. The tax rate is 0.65% of the market value of the registered vehicle. Revenues are distributed evenly between cities and counties, and then is allocated to cities based on population.

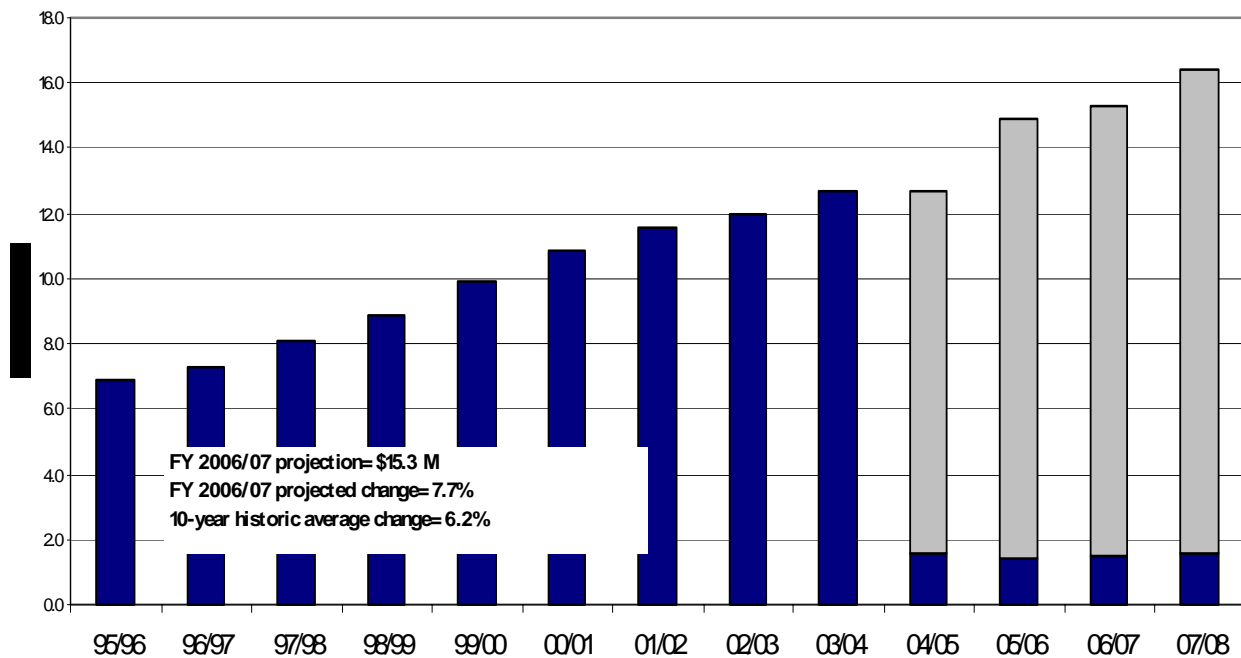
VLF revenue has been dedicated to support local governments since the 1930s. The State reduced the vehicle license fee by 35% in FY 1998/99 and in FY 1999/00, and by another 32.5% in FY 2000/01 – a combined 67.5% decrease. The 67.5% tax reduction decreased the VLF tax rate from 2% to .65% of each registered vehicle's value. The effects of these taxpayer relief measures were offset by "VLF backfill" payments to local governments made from the State's General Fund.

In June 2003, the State determined that it could no longer afford the VLF backfill payments to cities, so it restored the VLF rate to 2%. But, following the Governor's repeal of the VLF increase in the fall of 2003, both the

lower rate (0.65%) and the backfill were reinstated. In FY 2003/04, the VLF backfill was replaced on a long-term basis with another State shifting of property taxes from the schools to the cities. The City began to receive these VLF backfill replacement property taxes in FY 2004/05.

Forecast: The City projects 19.2% growth in VLF revenues for FY 2005/06 to \$14.9 million. This large percentage increase results from a \$700,000 “true-up” payment received in FY 2005/06 for replacement property tax allocations that should have been paid in FY 2004/05. Excluding the one-time payment, the FY 2005/06 increase would have been 13%. In FY 2006/07, the growth rate is projected to be 8.0%, yielding revenues of \$15.3 million.

Vehicle License Fee History and Forecast
(FY 1995/96 - FY 2007/08, excluding one-time effects)



Key Factors in the Forecast: Since FY 2004/05, approximately 90% of VLF revenues now come in the form of property taxes. The property taxes received are based on the growth in real property assessed valuation from the prior year. Since assessed valuation is increasing by 8% in FY 2005/06, VLF replacement revenues will grow by the same factor.

Strong auto sales and slow, but steady, population growth have fueled “regular” VLF growth for several years. While vehicle sales have fluctuated in recent quarters, they have remained strong statewide. Market share losses suffered by American car makers have generally translated into additional sales by foreign manufacturers whose prices tend to be higher. Since VLF revenues are allocated statewide based on vehicle values and

population, growth trends are less sensitive to local market conditions than other revenues, such as sales taxes. The City is still learning how real property assessed value increases translate into VLF replacement revenues, but the trend appears reasonably favorable.

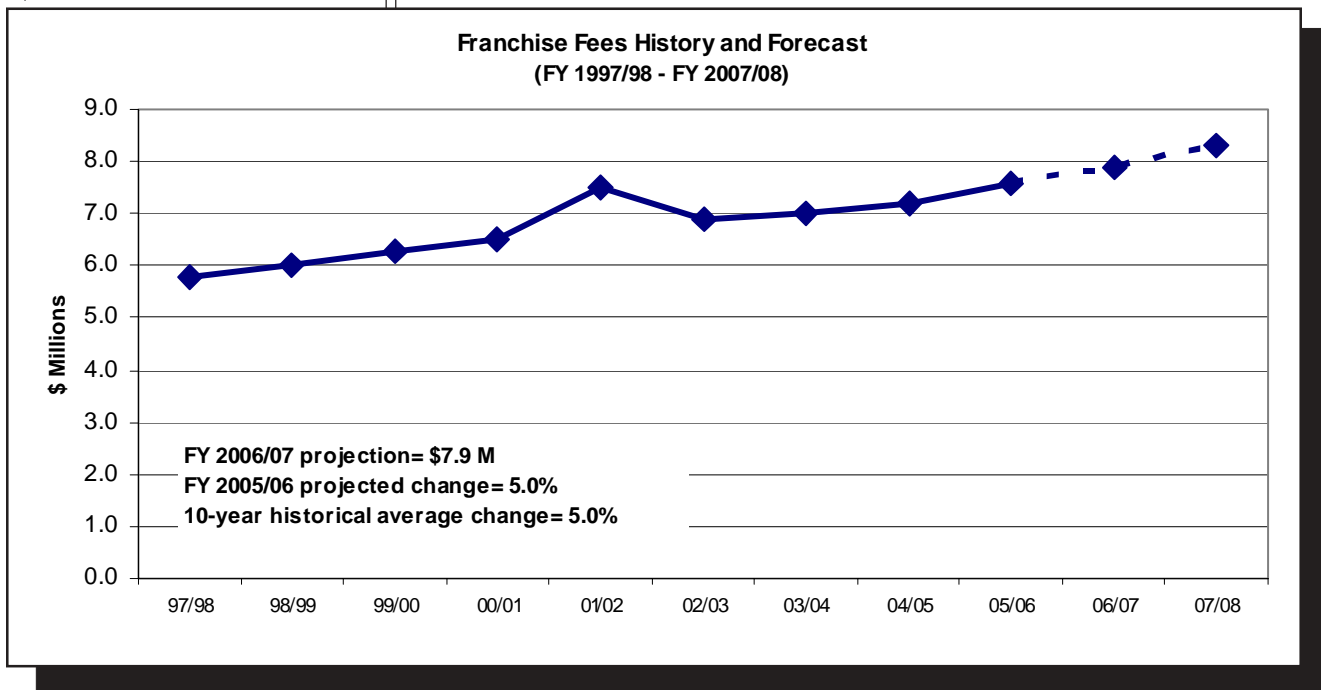
Franchise Fees

Description: State law authorizes cities to grant franchises to privately-owned utility and other companies for, among other things, their use of the public right-of-way. The City receives franchise fees from the electric and gas utility, the solid waste collection company, the local cable company, and certain other entities for their privilege of using the public right-of-way within the City. The dominant franchise fees are calculated as a percentage of the respective franchisee's gross revenues (subject to specified statutory adjustments) earned from services delivered or performed by the franchisee within the City.

The maximum franchise rate is the greater of 1% on gas and electric adjusted gross revenues generated within the City, or 2% of the asset investment base within the City, as set by California law. PG&E pays its electric and gas utility franchise fee annually in April based on its revenues for the preceding calendar year. FY 2006/07 gas and electric utility franchise revenues will be computed as 1% of PG&E's adjusted gross revenues (the 1% revenues method results in a greater fee than the 2% of invested assets method) for calendar year 2006 and will be received by the City in April 2007.

The solid waste collection franchise fees are negotiated between the City and the refuse collector. The cable franchise rate is established by City ordinance, but cannot exceed 5% of the cable company's "gross revenues" (as that term is defined in the City ordinance) under the Federal Communications Act. The solid waste collection franchise fee is paid monthly and cable franchise fee is paid quarterly (both in arrears) throughout the fiscal year.

Forecast: Combined estimated FY 2005/06 franchise revenues decreased 0.8% to \$7.5 million, but are budgeted to increase about 5% in FY 2006/07 to \$7.9 million. Gas utility franchise revenues are likely to be somewhat higher than the historical growth rate due to price increases in natural gas caused by the effects of Hurricanes Katrina and Rita on Gulf Coast natural gas production. Rate increases by PG&E in January and March 2006, cumulatively boosted electric rates by about 6.5%, which will boost electric franchise revenues. Cable and solid waste franchise revenues are expected to remain relatively constant due to competition and reduced business growth opportunities in their operating environment. FY 2005/06's revenues were down because of PG&E delays in obtaining rate increase approvals and because of a small reduction in delivered electricity in 2005. Electric rates, fixed in November 2004, were not increased until September 2005.



Key Factors in the Forecast: Different risk and enhancement opportunity factors apply to each franchise revenue source. These factors are summarized below:

- Electricity franchise: PG&E franchise revenues change because of changes to the cost of natural gas and other resources used to generate electricity, consumer power demands (which are affected by the economy), interstate energy contract pricing, and state and federal regulatory changes. PG&E projects a 6% revenue increase for 2006, so the City expects a corresponding increase in its FY 2006/07 electric franchise revenues. Decreased demand (a factor of weather and price) or significant interstate cost decreases are factors that might negatively affect this revenue.
- Gas franchise: PG&E increased gas rates by about 40% in early 2006, but unseasonably warm weather during the winter of 2006 caused higher than expected natural gas inventories, which put downward pressure on prices. The lingering effects of the Gulf Coast hurricanes should keep prices ahead of 2005, so there should be at least a moderate increase in gas franchise revenues. Gas franchise revenues comprise only about 8% of total franchise revenues.
- Cable franchise: Comcast raised prices modestly in January 2006, and the company continues to expand its Fremont customer base at a modest pace. Comcast's annual FCC form 1235 filing justifies up to a 17% increase after June 2006, but it is uncertain how much (if at all) Comcast will actually increase rates. Telephone (telecommunication) companies like AT&T (formerly SBC) are

working to enter the video/television business to compete with cable providers. In federal litigation with the City of Walnut Creek, AT&T claims its new video product, "Project Lightspeed," is not a "cable system" subject to cable franchising laws. Meanwhile legislation is being proposed at both the federal and state levels to create nationwide and statewide franchises, respectfully. Both bills preempt local franchising authority and imperil local control of the public right-of-way. Although the draft state and federal bills each contain provisions for passing through a franchise fee to cities, there are no promises as to their revenue neutrality.

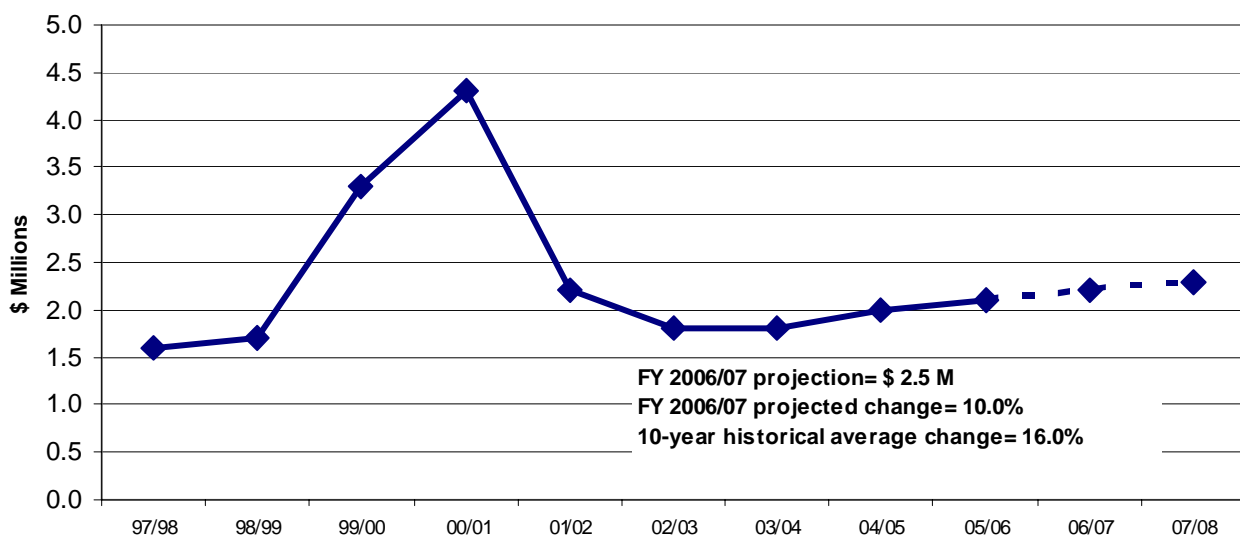
- Solid waste collection franchise: Solid waste collection franchise revenues are expected to remain constant, and are not currently subject to extraordinary risks.

Hotel/Motel Occupancy Taxes

Description: The Hotel/Motel occupancy tax is charged on hotel and motel room occupancies of fewer than 31 days. It is paid by hotel and motel customers in addition to the room rate so that Fremont visitors may contribute to the cost of the public services they enjoy during their stay. Fremont's 8% room tax rate is substantially less than the 10%-12% tax rates charged by most neighboring cities.

Forecast: The budget assumes a 12.0% growth rate in FY 2005/06, to \$2.3 million, with a 10.0% increase in FY 2006/07, to \$2.5 million. Rising local room rates and lower vacancy rates reflect the City's recovering high-tech business climate and the City's economic development efforts. These percentages also reflect the deflated revenue base – Hotel/Motel revenues fell from \$4.3 million in FY 2000/01 to \$1.8 million in FY 2002/03.

Hotel/Motel Tax History and Forecast
(FY 1997/98 - FY 2007/08)



The smaller base of revenue over the same number of hotels and motels allows for greater percentage increases.

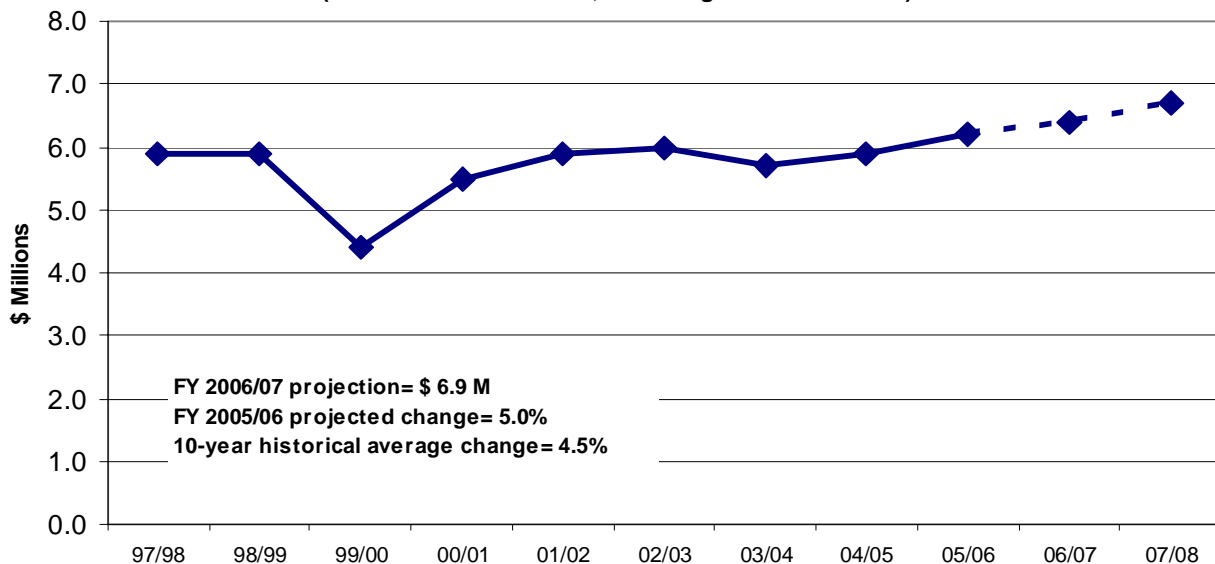
Key Factors in the Forecast: The volatile high-tech economy remains the greatest risk, and opportunity, for Hotel/Motel tax revenues. Continuing economic recovery and City economic development efforts aimed at creating more “destination” activities and places in Fremont are expected to propel these revenues along a path of steady growth.

Business Taxes

Description: Business taxes are paid by individuals and entities for the privilege of conducting business in Fremont and to help pay for public services that contribute to a favorable business environment. The tax rate depends upon the type and size of the business. Some businesses pay a flat rate, but most pay based on either their gross receipts or payroll. Business tax receipts tend to fluctuate with economic cycles, though to a lesser degree than sales taxes.

Forecast: FY 2005/06 business tax revenues are projected to grow 8.5% to \$6.6 million, and continue with 5.0% growth in FY 2006/07, to \$6.9 million. The FY 2006/07 growth rate is slightly higher than the historical average growth rate of 4.5% because of the anticipated continuing modest economic recovery.

Business Tax History and Forecast
(FY 1997/98 - FY 2007/08, excluding one-time effects)



Key Factors in the Forecast: Since the onset of the high-tech recession in FY 2000/01, business tax revenues have grown slowly and have even declined in some years. In FY 2003/04, business taxes decreased to \$5.6 million because of a decline in the City’s manufacturing base. The flat rate portion of this revenue modulates severe swings, but business taxes tend to rise and fall in a pattern similar to that of sales taxes.

General Fund: FY 2005/06 Actual, FY 2006/07 Budget and FY 2007/08 Forecast			
(Thousands of Dollars)	Estimated Actual FY 2005/06	Budget FY 2006/07	Projection FY 07/08
Revenues:			
Intergovernmental:			
Property Taxes	\$ 38,986	\$ 41,325	\$ 43,391
State ERAF III Revenue loss	(2,730)	-	-
In-lieu VLF	13,487	13,798	14,764
In-lieu Sales Taxes	7,154	8,084	8,521
Sales & Use Taxes	24,208	25,418	26,435
Vehicle License Fees	1,430	1,502	1,577
Other Intergovernmental	615	646	652
Business Taxes	6,610	6,941	7,288
Hotel/Motel Taxes	2,260	2,486	2,735
Property Transfer Taxes	1,910	2,006	2,207
Franchise Fees	7,488	7,862	8,255
Charges for Services	3,064	3,217	3,433
Fines	2,700	3,235	3,397
Investment Earnings	2,650	2,783	2,978
Paramedic Fees	1,034	1,065	1,108
Other Revenues	1,000	1,050	1,103
Total Revenues	111,866	121,418	127,844
Transfers In:			
Recurring Transfers In	6,905	7,528	7,790
Total Transfers In	6,905	7,528	7,790
Resources Available: (Revenues plus Transfers In)	118,771	128,946	135,634
Expenditures:			
General government	11,084	12,061	12,474
Police	46,407	48,575	50,204
Fire	26,286	27,760	28,684
Community Preservation	556	668	694
Human Services	2,938	3,150	3,252
Other Non-Departmental	1,478	2,555	2,465
Less: Citywide Savings	-	(1,000)	(1,000)
TRANS (debt) costs	187	150	150
Total Expenditures	88,936	93,919	96,923
Transfers Out:			
Integrated Capital Assets Plan Projects	1,250	1,350	1,000
Downtown Plan	1,000	1,000	1,000
General Fund Transfer to Maintenance	19,036	20,041	20,642
Debt	6,752	7,813	7,777
Cost Center Allocations	4,108	5,096	5,249
Other	50	50	50
Transfers to Reserves	4,943	1,271	498
Total Transfers Out	37,139	36,621	36,216
Resources Used: (Expenditures plus Transfers Out)	126,075	130,540	133,139
Net Results of Operations: (Resources Available less Resources Used)	(7,304)	(1,594)	2,495
Use of Budget Uncertainty Reserve		1,416	
Beginning Fund Balance: (Ending Fund Balance from the Prior Year)	7,482	178	-
Ending Fund Balance	\$ 178	\$ -	\$ 2,495

Transfers Detail for the General Fund

City of Fremont 2006/07 Adopted Operating Budget

Transfers In	Estimated FY 05/06	Budget FY 06/07	Projected FY 07/08
Overhead Transfers In From Other Funds:			
Charges to Development (Funds 011, 012, 013)	\$ 1,717	\$ 1,961	\$ 2,039
Charges to Environmental (Fund 115,123)	306	306	318
Charges to Paratransit (Fund 178)	18	19	20
Charges to Human Services Grants	55	71	72
Charges to Recreation (Fund 189)	663	687	714
Charges to ICAP (Fund 500)	2,361	2,676	2,783
Charges to INFO SYS (Fund 620)	490	547	569
Charges to LLMD's (Fund 460)	4	4	4
Charges to Multifamily Housing (Fund 191)	32	57	59
Charges to Low & Moderate Housing (Fund 911)	107	79	82
Charges to RDA (Fund 950)	202	171	178
Sub-total Recurring Transfers In from Other Funds	5,955	6,578	6,840
Miscellaneous Recurring Transfers In:			
Impact fee reimbursement	950	950	950
Sub-total Misc. Recurring Transfers In	950	950	950
Miscellaneous Non-recurring Transfers In:			
Transfer From Budget Uncertainty Reserve	-	1,416	-
Sub-total Misc. Non-recurring Transfers In	-	1,416	-
TOTAL TRANSFERS IN	\$ 6,905	\$ 8,944	\$ 7,790

Transfers Out	Estimated FY 05/06	Budget FY 06/07	Projection FY 07/08
Transfers to the CIP:			
Contribution to Maintenance	\$ 19,036	\$ 20,041	\$ 20,642
Contribution to Other CIP Projects	1,250	1,250	1,000
Additional CIP contribution	-	100	-
Downtown Plan	1,000	1,000	1,000
Sub-total - Transfers for the ICAP	21,286	22,391	22,642
Transfers for Debt Service:			
1990 COP 39550 Liberty Street & Fire Vehicles	463	522	474
1991 COP Fire	210	230	227
1998 COP Police Building	1,320	1,319	1,326
2001 COP Liberty/Capitol, Fire Land, City Hall	1,621	1,785	1,793
2001 COP (B) Liberty/Capitol, Fire Trucks	596	650	652
2002 COP Corporation Yard & Fire Station #11	1,802	1,858	1,860
Less: Fire Station #11 remaining proceeds	(633)	-	-
2003 COP Refunding	1,373	1,449	1,445
Sub-total - Debt Service & Future Bond Issues	6,752	7,813	7,777
Cost Center Allocations:			
Community Development	1,848	2,342	2,412
Recreation Cost Center	2,008	2,492	2,567
Senior Center Cost Center	252	262	270
Sub-total - Cost Center Allocations	4,108	5,096	5,249
Other Transfers from the GF:			
Other transfers (SACNET)	50	50	50
Sub-total - Other transfers	50	50	50
Transfers to Reserves:			
Transfer to Contingency Reserve	722	1,059	415
Transfer to Program Equity Investment Reserve	144	212	83
Transfer to Budget Uncertainty Reserve	4,077	-	-
Sub-total Transfer to Reserves	4,943	1,271	498
Total Transfers Out	\$ 37,139	\$ 36,621	\$ 36,216

General Fund Historical and Recommended Budget FY 2006/07						
(Thousands of Dollars)	FY 01/02 Actual	FY 02/03 Actual	FY 03/04 Actual	FY 04/05 Actual	FY 05/06 Estimated Actual	FY 06/07 Budget
Revenues:						
Intergovernmental:						
Property Taxes	\$ 31,516	\$ 33,037	\$ 35,264	\$ 36,779	\$ 38,986	\$ 41,325
State ERAF III Revenue loss	-	-	-	(2,743)	(2,730)	-
In-lieu VLF	-	-	-	11,157	13,487	13,798
In-lieu Sales Taxes	-	-	-	5,105	7,154	8,084
Sales & Use Taxes	29,196	28,203	26,796	25,514	24,208	25,418
Vehicle License Fees	11,568	12,014	9,542	1,353	1,430	1,502
Other Intergovernmental	1,056	804	734	879	615	646
Business Taxes	5,931	5,955	5,324	6,092	6,610	6,941
Hotel/Motel Taxes	2,175	1,799	1,831	2,017	2,260	2,486
Property Transfer Taxes	986	1,097	1,550	1,785	1,910	2,006
Franchise Fees	7,467	6,873	7,004	7,546	7,488	7,862
Charges for Services	2,362	2,748	3,185	3,064	3,064	3,217
Fines	2,161	2,499	2,783	2,695	2,700	3,235
Investment Earnings	2,724	1,496	1,270	1,963	2,650	2,783
Paramedic Fees	1,001	938	1,020	1,014	1,034	1,065
Other Revenues	888	867	1,291	1,021	1,000	1,050
VLF Loan	-	-	-	3,270	-	-
Total Revenues	99,031	98,330	97,594	108,511	111,866	121,418
Total Transfers In	6,810	8,858	6,725	6,591	6,905	7,528
Resources Available: (Revenues plus Transfers In)	105,841	107,188	104,319	115,102	118,771	128,946
Expenditures:						
General government	10,775	10,503	9,708	9,657	11,084	12,061
Police	37,813	36,461	37,632	43,137	46,407	48,575
Fire	24,613	22,406	22,701	24,940	26,286	27,760
Community Preservation	645	728	593	585	556	668
Human Services	2,626	2,867	2,438	2,626	2,938	3,150
Other Non-Departmental	1,662	1,648	1,127	1,603	1,478	2,555
Less: Citywide savings	-	-	-	-	-	(1,000)
TRANS (debt) costs	308	-	151	131	187	150
Total Expenditures	78,442	74,613	74,350	82,679	88,936	93,919
Total Transfers Out	45,953	33,207	26,288	37,077	37,139	36,621
Resources Used: (Expenditures plus Transfers Out)	124,395	107,820	100,638	119,756	126,075	130,540
Net Results of Operations: (Resources Available less Resources Used)	(18,554)	(632)	3,681	(4,654)	(7,304)	(1,594)
Change in Encumbrance Reserve	-	(368)	(563)	(379)	-	-
Prior Period Adjustment to Fund Balance (GASB 34)	3,895	-	-	-	-	-
Adjustment for Fair Market Value	-	-	-	2,028	-	-
Use of Budget Uncertainty Reserve	-	-	-	-	-	1,416
Beginning Fund Balance: (Ending Fund Balance from the Prior Year)	23,028	8,369	7,369	10,487	7,482	178
Ending Fund Balance	\$ 8,369	\$ 7,369	\$ 10,487	\$ 7,482	\$ 178	\$ -

Other Funds

For budget purposes, the City's funds are grouped into five categories:

- General Fund
- Cost Center/Internal Service
- Special Revenue
- Redevelopment
- Capital Funds

The first three categories constitute the City's primary operating funds, and the last two are special classes of funds used mostly for capital investments. Funding for most City operations comes from the first three categories. The following section provides an overview of the City's Cost Centers, Internal Service funds, Special Revenue funds, Redevelopment funds, and Capital funds. Detailed information about the General Fund is available under the General Fund section of this document.



Entrance to City Hall

Summary of All Other Funds

(Thousands of Dollars)	Cost Center/ Internal Service Funds	Special Revenue Funds	RDA Funds	Capital Funds	Total All Other Funds
Fund Balance - 6/30/06 (est.)	\$ 9,681	\$ 18,144	\$ 78,017	\$ 18,934	\$ 124,776
Revenues					
Intergovernmental:					
Property Taxes	-	-	28,900	-	28,900
In-lieu VLF	-	-	-	-	-
In-lieu Sales Taxes	-	-	-	-	-
Sales & Use Taxes	-	761	-	-	761
Vehicle License Fees	-	-	-	-	-
Other Intergovernmental	99	5,678	-	5,485	11,262
Business Taxes	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Charges for Services	19,347	8,203	-	2,484	30,034
Fines	-	-	-	-	-
Investment Earnings	292	13	1,461	1,367	3,133
Paramedic Fees	-	-	-	-	-
Other Revenues	668	1,180	800	2,319	4,967
Total Revenues	20,406	15,835	31,161	11,655	79,057
Total Transfers In	6,096	182	-	35,412	41,690
Total Available Resources	36,183	34,161	109,178	66,001	245,523
Expenditures					
General Government	-	-	-	-	-
Police	-	1,093	-	-	1,093
Fire	-	304	-	-	304
Transportation and Operations	1,590	7,869	-	18,042	27,501
Community Development:					
Planning	3,593	-	-	-	3,593
Building & Safety	5,162	-	-	-	5,162
Engineering	5,948	-	-	-	5,948
Community Preservation	-	-	-	-	-
Housing and Redevelopment	-	385	54,402	-	54,787
Human Services	743	6,451	-	-	7,194
Parks and Recreation	5,788	-	-	4,522	10,310
Non-departmental	(658)	-	-	5,108	4,450
Less: Citywide Savings					-
Debt costs	-	641	7,505	7,813	15,959
Total Expenditures	22,166	16,743	61,907	35,485	136,301
Total Transfers Out	6,979	813	250	5,826	13,868
Total Use of Resources	29,145	17,556	62,157	41,311	150,169
Fund Balance - 6/30/07 (est.)	\$ 7,038	\$ 16,605	\$ 47,021	\$ 24,690	\$ 95,354

Note: Some internal charges between funds are classified as either transfers or expenditures to clarify departmental budget resources and appropriations. This results in minor differences between the individual departmental budgets and amounts shown in the Summary of All Non-General Funds schedule above.

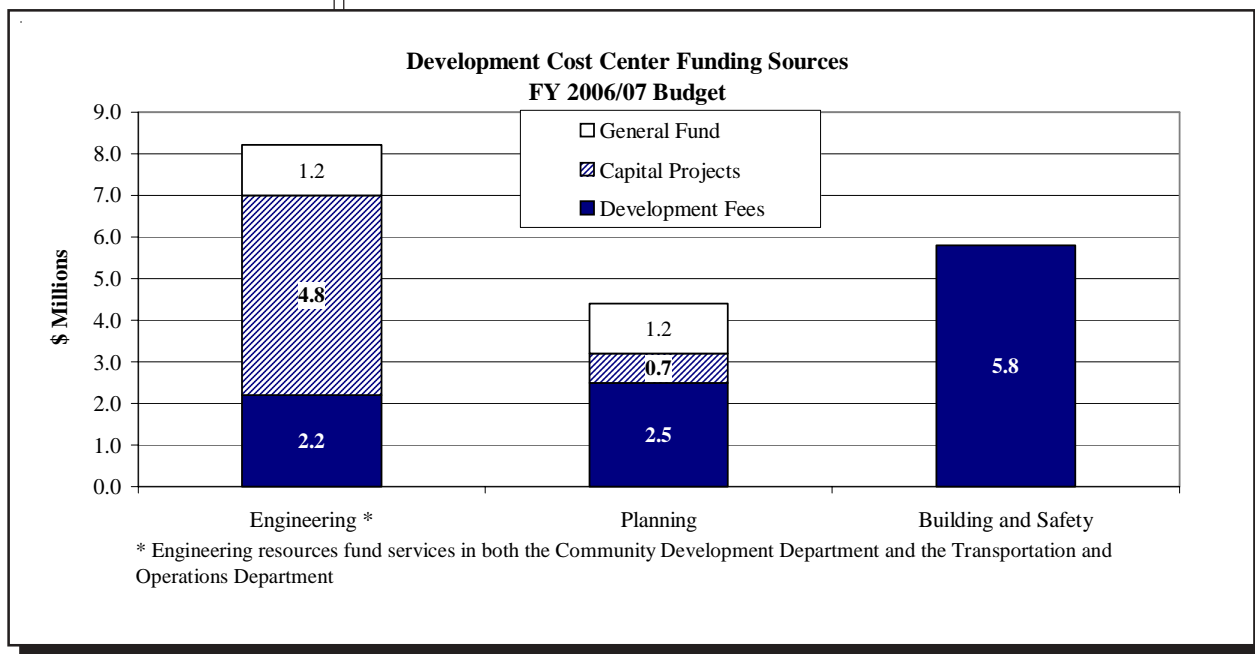
Cost Centers & Internal Service Funds

City of Fremont 2006/07 Adopted Operating Budget

The City uses cost centers to account for City activities that are predominantly fee-based. These funds receive revenues from external users in the form of fees for services and transfers from other funds for work on City projects. The cost centers are intended to maintain their fund balances from year to year to provide flexibility to respond to revenue decreases or unexpected costs. The City uses internal service funds to account for certain information system and risk management services provided to the City's operating departments on a full-cost recovery basis.

Development Services Cost Center

Several significant changes occurred this year that affect the FY 2006/07 Development Services Cost Center budget. The Development and Environmental Services Department was reorganized into two separate departments: Community Development, and Transportation and Operations. The Community Development Department is responsible for Planning, Engineering, and Building and Safety. The Transportation and Operations Department assumes responsibility for Transportation Engineering. (The Transportation and Operations Department also includes Environmental Services and most maintenance functions, but these areas are funded outside the cost center.) The Development Services Cost Center budget relies on a combination of development fees, charges to City capital projects, and charges to the General Fund (made in the form of a transfer) for work benefiting the community in general. Each functional area relies on a different mixture of these resource inflows, so each has fared differently in the recent economic conditions.



During the mid 1990s, development activity in Fremont was thriving. As a hedge against the cyclical nature of the economy, the Development Services Cost Center accumulated a fund balance intended to pay for technology and capital needs, and to preserve staffing continuity through downturns. Maintaining a base level of staff enables the City to respond effectively when development activity returns. At the end of FY 2005/06, the fund balance is projected to be \$3.4 million. Given the renewed growth in Building and Safety Division revenues, the Cost Center could anticipate a nominal overall increase to its fund balance in FY2006/07. However, any potential positive results will be offset by the Cost Center's commitment to pay for updating the City's General Plan. The Cost Center allocated \$0.7 million for the General Plan in FY 2005/06, with an additional \$0.8 million planned for FY 2006/07. Factoring in the FY 2006/07 transfer reduces the projected fund balance at year-end to \$2.7 million

The Planning, Engineering, and Transportation Engineering Divisions all receive General Fund support for work program services that benefit the community generally. The General Fund transferred \$2.3 million to the Cost Center in FY 2004/05 and \$1.8 million in FY2005/06. The General Fund contribution for FY 2005/06 was \$0.5 million less than the previous year as the result of a one-time savings measure. (This was in addition to the 5% ongoing reduction required of all City departments, except public safety, for FY 2005/06.) Since this was a one-time occurrence, the City did not reduce Cost Center services further beyond those changes implemented for FY 2003/04, which included reduced Permit Center hours and delayed responses to traffic service requests.

In FY2006/07, the General Fund will transfer \$2.3 million to the Cost Center to be spread across Planning, Engineering, and Transportation Engineering for their work programs. This work generally includes updating and maintaining the City's General Plan, responding to traffic service requests, managing the City's real property, providing general customer service not associated with a particular project, and responding to City Council referrals. Although the General Fund allocation is increasing this year, it is still approximately 10% less than FY 2002/03 levels. Because the Cost Center has not seen a decrease in General Fund work program elements to correspond with the decrease in its General Fund allocation, it must continue the service reductions implemented during FY 2003/04.

Planning and Building and Safety have seen a modest recovery in development activity, resulting in slightly higher projected levels of development revenues and work for FY 2006/07. The Building and Safety Division will continue to hire temporary staff during the next fiscal year in an effort to meet the increased demands of renewed construction activity.

With the reorganization of the Development Services Cost Center and the split of Engineering and Transportation Engineering, there is some uncertainty surrounding the FY 2006/07 budgets for these two divisions. The effect of the reorganization will be unclear until the departments have a few months of financial information under the new structure. This may result in the

need for mid-year adjustments, depending on both the economic climate and continued funding demand for projects in the Capital Improvement Program.

Recreation Cost Center

The Recreation Cost Center provides services to the public using both General Fund contributions and user fees. Using an enterprise business model in which programs are funded only if they are able to pay for themselves through fees, the Recreation Division successfully delivers programs and activities each year for citizens of all ages. In FY 2006/07, the Recreation Cost Center expects to receive 60% of its \$6.3 million in total available resources from program and user fees, 39% from General Fund support, and 1% from interest on the cost center fund balance.

General Fund support enables the Recreation Cost Center to provide low to no-cost services such as Central Park operations, teen services, and community centers. When the City reduced the General Fund budget in FY 2003/04, it also reduced the General Fund contribution to the Recreation Cost Center by 23%. For FY 2005/06, the General Fund contribution was reduced by an additional 14%, consisting of a one-time reduction of \$0.5 million and the ongoing 5% reduction required of all non-public safety departments. The \$0.5 million reduction was a one-time reduction, the effects of which were absorbed by the Recreation Cost Center fund balance without further service reductions.

Cost projections for General Fund services provided by the Cost Center, which are driven by costs related to staffing, are outpacing projections for future General Fund support. As a result, service reductions implemented with the FY 2003/04 and FY 2004/05 budget, such as reduced park ranger service in Central Park and the elimination of the Teen Program Coordinator position, will remain in place through FY 2006/07.

As a result of the sluggish economy over the past few years, increases in personnel costs, and the fact that the existing recreation facilities are nearing capacity, the Recreation Cost Center faces a structural imbalance between ongoing revenues and expenditures that began in FY 2005/06. In the short-term, the Cost Center will rely on undesignated fund balance to close the gap. As a long-term solution, the City is developing plans for a new Family Water Play Facility in Central Park to take the place of the closed Puerto Penasco Swim Lagoon. This facility will be an investment that is expected to provide a new revenue stream that can help ensure the long-term sustainability of the Recreation Cost Center without an increase in General Fund support. This project remains viable with the planned use of a portion of the Recreation Services Cost Center fund balance, State Proposition 12 and Proposition 40 funding, and grants from The Candle Lighters community service organization and the Fremont Bank Foundation.

Careful management of the enterprise model for delivering recreation services since the early 1990s has enabled the Recreation Cost Center to accumulate a fund balance, projected to be \$5.7 million at the end of FY 2005/06. Program growth, interest on the fund balance, and salary savings

have been the primary contributors to the growth in the fund balance. Most of the fund balance is earmarked for the Operating Improvement Reserve, which serves as a funding source to launch new revenue-generating projects, such as the previously noted Family Water Play Facility. Completion of the facility will require spending \$3.0 million of this fund balance. This expense, plus \$0.2 million to support operations, will reduce the Recreation Cost Center fund balance to \$2.6 million by the end of FY 2006/07. The remaining fund balance serves as an economic contingency reserve to buffer operations from a fluctuating economy, program revenue shortfalls, and unforeseen major interruption of services.

Similar to other operations, the long-term sustainability of the Recreation Cost Center is threatened by economic uncertainty. The business model is based on the premise that fees paid by program participants should cover the cost of providing the programs. The sluggish economy has hampered individuals' discretionary income and the Cost Center's ability to increase user fees to cover increasing costs. This constraint, combined with uncertain prospects for significant General Fund increases and the plan to spend most of the fund balance, may jeopardize the Cost Center's ability to continue as it is currently structured. Long-term sustainability in the face of current cost projections is dependent on the following: 1) the redesigned swim lagoon is constructed and meets modest projections for financial return; 2) the economy strengthens, providing at least modest capacity for market-based program fees to keep pace with program costs; and 3) General Fund service interests are re-evaluated, with the goal of matching the amount of General Fund support with the highest-priority community recreation services that cannot necessarily pay for themselves with fee revenue.

Senior Center Cost Center

The Senior Center Cost Center accounts for expenditures for programs administered by the Aging and Family Services Division (AFS) for the Senior Center and for senior programs serving frail elders. Cost Center resources are comprised of fees for service, restricted grants, MediCal service reimbursements, private donations, and the General Fund.

Since General Fund support was reduced by 20% in FY 2002/03 as part of citywide budget reduction strategies, the Senior Center has operated with a financial operating deficit. Until FY 2002/03, the General Fund annually transferred funds equivalent to the staffing costs for four "core" positions at the Senior Center. The Cost Center supplemented the General Fund contribution through facility rentals, meal fees, and donations. Under this model, the Senior Center fully covered its operating costs and maintained a small operating reserve. However, the City's budget reductions in FY 2002/03 severed the connection between core staffing costs and General Fund support. While salary and benefit costs have increased since FY 2002/03, General Fund support for FY 2006/07 remains 11% lower than the FY 2002/03 level.

For FY 2006/07, the deficit between ongoing revenues and ongoing expenditures is projected to be \$35,000, or 4.7% of budgeted expenditures. To close the gap, the Senior Center has worked to raise program revenues and cut costs. On the revenue side, the Senior Center has increased the charge seniors pay for lunch at the center, instituted an annual membership fee, and increased rental fees and usage. The Human Services Department organized major fundraising events in May 2004, 2005, and 2006 that together generated approximately \$130,000 in donations for the Senior Center. Service reductions include eliminating the dinner program and reducing the hours of staff availability to the public.

Though the total Senior Center Cost Center fund balance is projected to be \$340,000 at the end of FY 2006/07, approximately \$200,000 of this balance was donated for specific senior services that do not necessarily include Senior Center operations. Fund balance will be sufficient to close the gap in FY 2006/07. However, since the gap is structural in nature, either costs will have to be reduced further (which could cause major service disruptions), fees will have to increase further (which staff feels the market will not sustain), or the amount of General Fund support for the Cost Center will have to be increased. Given the severe constraints on the General Fund support for basic services citywide, increased support for cost centers may not be feasible.

In FY 2005/06, staff secured approximately \$25,000 in new external funding support for the Senior Center (\$10,000 in a new grant from Alameda County, and almost \$15,000 in federal CDBG funds). The grant funding from Alameda County will continue for several years, but the future of the CDBG funding is uncertain because of proposed cutbacks to that federal program in FY 2006/07. In FY 2005/06, the Senior Citizen Commission raised funds for a Donor Tree, which the Commission hopes will generate \$10,000 in donations for the center in FY 2006/07. These efforts notwithstanding, however, the Senior Center will continue to face financial challenges. During FY 2006/07, staff will continue analyzing Senior Center operations for opportunities to increase ongoing non-General Fund revenues and contain operating costs to minimize long-term sustainability risks.

Risk Management Internal Service Fund

This fund accounts for the City's retained self-insured risks of loss from vehicle and property damage, earthquakes and floods, workers' compensation, general liability, and unemployment claims. Administrative costs, including insurance coverage through the City's membership in the California Joint Powers Risk Management Authority, are also accounted for in this fund. Resources for this fund are provided through allocation "charges" to the departments and special revenue fund operations that receive these services. Total costs allocated to departments are increasing from \$5.9 million in FY 2005/06 to \$6.8 million in FY 2006/07. Of this increase, \$400,000 is for projected increases in workers' compensation costs attributable to increased claims activity.

The remaining \$500,000 budget increase is for general liability premium payments. Actual costs have not increased significantly, but a change in the way the City budgets for an annual premium rebate requires the budget increase. Staff currently budgets for the rebate, without knowing the amount, in order to reduce the amount required for the premium and the total amount allocated to departments. However, the amount of the rebate ultimately received has fluctuated significantly in recent years, prompting mid-year management and funding adjustments. Beginning in FY 2006/07, the budget will include the full premium amount, and the rebate received will reduce actual expenditures for the year, thus being reflected in funding needs for the following year.

Information Systems Internal Service Fund

This fund accounts for the City's information systems support and technology services. It funds Information Systems operations and equipment replacement. Resources for this fund are provided through allocation "charges" to the departments and special revenue fund operations that receive these services. Total allocations to departments total \$4.9 million in FY 2006/07, or \$1.1 million more than the FY 2005/06 level. This significant increase in funding for Information Systems is necessary to continue supporting current technology services. It is a consequence of budget reduction strategies that were implemented in recent years. As the City reduced General Fund support for all departments in recent years, Information Systems charges were reduced by similar amounts to help departments achieve savings targets. Over the same period, the organization's reliance on technology increased, preventing cost savings in the Information Systems Fund from matching the reduced charges. The City intentionally spent fund balance that had been earmarked for technology replacement to continue services, understanding that ultimately the full cost of the City's technology services would have to be funded.

The expenditure budget for this fund is increasing by \$500,000, or 11.6%, from the adopted FY 2005/06 budget level to cover the cost of equipment purchases that have been deferred due to lack of funding in recent years, as well as routine cost increases such as employee salary and benefit increases.

The City has another equipment replacement fund for vehicles. Information on this fund may be found in the Capital Funds section of the Budget Document. Unlike the Information Systems Fund, holding charges to departments at previously planned levels, restricting vehicle replacement purchases to a strictly "as critically needed" basis, and a concerted effort to trim the size of the vehicle fleet have resulted in adequate fund balance in the Vehicle Replacement Fund. The FY 2006/07 budget includes a transfer of \$1.0 million from the Vehicle Replacement Fund to the Information Systems Fund to "rebalance" the two internal service funds to ensure that there is adequate funding for both needs. In the Information Systems Fund, the transfer will offset the projected negative fund balance of \$600,000 at the end of FY 2005/06, help pay for deferred telephone system replacements

(\$100,000), and supplement the cost allocation charges to cost centers for one year, enabling them to build 50% of the full cost of services into their FY 2006/07 budgets, and the remainder into their business models for FY 2007/08.

The combined financial result of restoring department allocations to fund current service levels, the increased expenditure budget to continue current service levels and begin catching up on technology replacement, and rebalancing the equipment replacement funds is that fund balance is projected to be \$500,000 at the end of FY 2005/06. The fund balance will re-establish the technology replacement resources exhausted in recent years and prevent similar citywide cost increases in FY 2007/08.

Cost Centers/Internal Service

(Thousands of Dollars)	Development	Recreation	Senior	Internal Service		Internal	Total
	Cost Center	Cost Center		Risk Management	Information Systems	Service Reclass*	
Fund Balance - 6/30/06 (est.)	\$ 3,433	\$ 5,706	\$ 375	\$ 779	\$ (612)		\$ 9,681
Revenues							
Intergovernmental:							
Property Taxes	-	-	-	-	-	-	-
In-lieu VLF	-	-	-	-	-	-	-
In-lieu Sales Taxes	-	-	-	-	-	-	-
Sales & Use Taxes	-	-	-	-	-	-	-
Vehicle License Fees	-	-	-	-	-	-	-
Other Intergovernmental	-	-	99	-	-	-	99
Business Taxes	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-
Charges for Services	15,415	3,769	163	6,819	4,905	(11,724)	19,347
Fines	-	-	-	-	-	-	-
Investment Earnings	132	75	-	85	-	-	292
Paramedic Fees	-	-	-	-	-	-	-
Sale of Bonds	-	-	-	-	-	-	-
Other Revenues	400	14	184	60	10	-	668
Total Revenues	15,947	3,858	446	6,964	4,915	(11,724)	20,406
Total Transfers In	2,342	2,492	262	-	1,000	-	6,096
Total Available Resources	21,722	12,056	1,083	7,743	5,303	(11,724)	36,183
Expenditures							
General Government	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-
Transportation and Operations	1,590	-	-	-	-	-	1,590
Community Development:							
Planning	3,593	-	-	-	-	-	3,593
Building & Safety	5,162	-	-	-	-	-	5,162
Engineering	5,948	-	-	-	-	-	5,948
Community Preservation	-	-	-	-	-	-	-
Housing and Redevelopment	-	-	-	-	-	-	-
Human Services	-	-	743	-	-	-	743
Parks and Recreation	-	5,788	-	-	-	-	5,788
Non-departmental	-	-	-	6,792	4,274	(11,724)	(658)
Less: Citywide Savings	-	-	-	-	-	-	-
Debt costs	-	-	-	-	-	-	-
Total Expenditures	16,293	5,788	743	6,792	4,274	(11,724)	22,166
Total Transfers Out	2,745	3,687	-	-	547	-	6,979
Total Use of Resources	19,038	9,475	743	6,792	4,821	(11,724)	29,145
Fund Balance - 6/30/07 (est.)	\$ 2,684	\$ 2,581	\$ 340	\$ 951	\$ 482	\$ -	\$ 7,038

* NOTE: The "Charges for Services" and "Non Departmental Expenditures" in the Risk Management and Information Systems Funds have been reclassified and are not part of the Cost Center/Internal Service Funds total because these amounts are included in other departments' budgets.

Cost Centers/Internal Service

(Thousands of Dollars)	Actuals FY 2004/05	Budget FY 2005/06	Budget FY 2006/07
Beginning Fund Balance	\$ 13,005	\$ 9,929	\$ 9,640
Revenues			
Intergovernmental:			
Property Taxes	-	-	-
State ERAF III Revenue loss	-	-	-
In-lieu VLF	-	-	-
In-lieu Sales Taxes	-	-	-
Sales & Use Taxes	-	-	-
Vehicle License Fees	-	-	-
Other Intergovernmental	66	53	99
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	12,121	18,995	19,347
Fines	-	-	-
Investment Earnings	363	300	292
Paramedic Fees	-	-	-
Sale of Bonds	-	-	-
Other Revenues	302	260	668
Total Revenues	12,852	19,608	20,406
Transfers In	7,322	4,010	6,096
Total Available Resources	33,179	33,547	36,142
Expenditures			
General Government	-	-	-
Police	-	-	-
Fire	-	-	-
Transportation and Operations	-	-	1,590
Community Development:			
Planning	2,750	3,343	3,593
Building & Safety	4,076	4,667	5,162
Engineering	2,444	7,608	5,948
Community Preservation	-	-	-
Housing and Redevelopment	-	-	-
Human Services	662	708	743
Parks and Recreation	4,826	5,501	5,788
Non-departmental	908	43	(658)
Less: Citywide Savings	-	-	-
Debt costs	-	-	-
Total Expenditures	15,666	21,870	22,166
Transfers Out	3,434	3,058	6,979
Transfers to Reserves	-	-	-
Total Use of Resources	19,100	24,928	29,145
Ending Fund Balance	\$ 14,079	\$ 8,619	\$ 6,997

Special Revenue Funds

Special revenue funds account for activities (other than major capital projects) funded by special-purpose revenues. Such revenues are typically legally restricted for specific purposes and may not be spent as part of the General Fund for general public safety or maintenance activities. Most of the federal, State, and County grants the City receives are accounted for in special revenue funds. Such grant revenues typically must be spent and accounted for according to the specific grant requirements.

Human Services

The Human Services Department relies on General Fund support, grants, charges for service, and rents from the Family Resource Center to provide a wide range of services to families and seniors. The non-General Fund sources featured in this special revenues subsection comprise 66.1% and 64.3% of the department's total funding sources in FY 2005/06 and FY 2006/07, respectively. The table on page 91 shows the special revenue funding sources for human services. For information on the total Human Services budget, including the use of General Fund resources, please see the department section of the budget document.

Grants

The City receives grants from a number of different sources for human service activities:

- Alameda County and Union City: grants to provide services to elders in Fremont and the Tri-City area.
- Alameda County: Probation Department funds for Youth and Family Counseling; funds to divert at-risk youth from the criminal justice system.
- Alameda County: Department of Behavioral Health funds to support a multi-disciplinary team approach to family support at the Fremont Family Resource Center.
- State Medi-Cal reimbursement: funds received through reimbursement for counseling and support services provided to youth and seniors.
- Proposition 10 (tobacco taxes): monies allocated by the County to support early childhood programs in Youth and Family Services.
- Robert Wood Johnson Foundation: funding for planning senior services.
- State Department on Aging: funds for the Multipurpose Senior Services Program (funded by the State using State and federal dollars) to provide services aimed at allowing frail elders to remain in their homes.

Grant funding is projected to increase from \$2.0 million in FY 2005/06 to \$2.1 million for FY 2006/07. The increase is attributable to expanded Medi-Cal reimbursement for service referrals to families and seniors.

Paratransit

This fund accounts for the monies used to fund the City's paratransit program. Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related activities such as the paratransit program. Funding for paratransit services is projected to increase by 6.9% in FY 2006/07, from \$712,000 to \$761,000.

Family Resource Center Fund

This fund accounts for the revenues and expenses associated with the Fremont Family Resource Center (FRC). Rental payments by the various tenants of the FRC fund the salaries and benefits of the FRC staff and operating and capital expenditures at that facility. This fund also includes grants from private foundations to support programs at the FRC. For FY 2006/07, revenue is expected to increase to \$1.1 million compared to \$1.0 million in FY 2005/06. FY 2006/07 expenditures are budgeted to increase by \$351,000, primarily because of increased debt service and citywide internal service charges.

CDBG / HOME

- Community Development Block Grant - This fund accounts for the City's allocation of federal Community Development Block Grant (CDBG) funds received from the U. S. Department of Housing and Urban Development for the purpose of developing viable urban communities. Through the CDBG Program, the City receives an annual entitlement grant to address certain housing and community development needs. Federal regulations require that at least 70% of the City's CDBG grant must directly benefit low and moderate-income households, with each community tailoring its program to address specific local needs.
- HOME Grant – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance and construct affordable housing.

The CDBG entitlement is \$1.7 million for FY 2006/07. This is about \$200,000 less than in FY 2005/06. The \$2.0 million in estimated actual expenditures for FY 2005/06 will be approximately the same as the budgeted amount. Any carryover is incorporated into the FY 2006/07 budget. Sub-recipients of the program are on a two-year funding cycle and, therefore, have two years to fulfill their obligations.

The estimated actual expenditures for the HOME grant are expected to be \$593,000 in FY 2005/06. The FY 2006/07 budget is \$545,000, which includes \$292,000 for land acquisition. No land acquisition occurred in FY 2005/06.

Unfortunately, many of the City's grants are at-risk due to cutbacks by other levels of government. CDBG is the City's largest grant, yet President Bush has proposed to cut funding for the program substantially. As all levels of government reduce spending in response to decreasing revenues or rising costs, grant recipients face continuous threats of reduced or eliminated grant programs.

Multi-Family Housing

This fund accounts for tax-exempt multi-family housing bond-monitoring fees paid to the City. These funds support several positions in the Office of Housing and Redevelopment. While revenue from these fees is projected to remain at the FY 2005/06 level, expenditures are increasing by over 49%. This increase is caused by the realignment of 0.6 of a Senior Office Specialist position to this function from another housing function and because of routine staffing cost increases.

Public Safety Grants

- Southern Alameda County Narcotics Enforcement Team (SACNET) - This fund accounts for the proceeds of assets forfeited as the result of drug activities and contributions from the cities of Fremont, Newark and Union City. The City of Fremont's contribution comes from the General Fund and is displayed as a "Transfer Out" on page 72.
- AB3229 - COPS Front Line Enforcement - These funds account for monies from the State and distributed by the County to be spent on front line law enforcement activities.
- Justice Assistance Grant Program - This fund accounts for monies received from the federal government and expended for criminal justice, crime or substance abuse prevention and treatment programs.
- Abandoned Vehicle Abatement - This fund accounts for monies received by the City under California Vehicle Code (CVC) Sections 9250.7 and 22710 and used for the abatement, removal and disposal as public nuisances of any abandoned, wrecked, dismantled or inoperative vehicles from private or public property.
- State Office of Traffic Safety Grant - This fund accounts for monies received from the State to provide funding for innovative traffic enforcement programs and public relations for a countywide campaign against drinking drivers.

Grant revenues related to public safety services are projected to decrease by 12.8% from the level budgeted in FY 2005/06. In FY 2005/06, there were carry-over grant monies unspent from prior years; these grant funds and carry-overs were spent in FY 2005/06. The main reason for the decrease is unrelated to fewer or lesser grants, but the absence of the carry-over amounts.

Environmental Services

- Integrated Waste Management - This fund accounts for monies received by the City from solid waste collection rates and used to comply with the provisions of AB 939 for the purpose of carrying out recycling, and household hazardous waste and solid waste management programs. The current fund balance serves three purposes: (1) to support rate stabilization, (2) to implement interim garbage disposal measures in the event that the landfill closes before a new transfer station is operational, and (3) to cover transition costs associated with landfill closure.
- Urban Runoff Clean Water Program - This fund accounts for monies received to comply with the Federal Clean Water Act of 1987, which requires that stormwater discharges from municipal storm drain systems be regulated under a nationwide surface water permit program. In order to obtain a permit, the City must implement programs to evaluate sources of pollutants in urban storm drain runoff, estimate pollutant loads, evaluate control measures, and implement a program of pollution controls.

Expenditures are budgeted to increase by 31.7%, from \$6.0 million in FY 2005/06 to \$7.9 million in FY 2006/07. The increase is attributable to

reimbursement costs to the solid waste collector for expenses incurred complying with new regulations and increased refuse disposal expenses associated with shifting the current landfill to the new transfer station. The disposal expenses will be transferred to rate payers in two to four years.

Special Revenue Funds

(Thousands of Dollars)	Human Services					Public Safety Grants	Environmental Services Funds	Total Special Revenues
	Grants	Paratransit	FRC	CDBG/ HOME	Multi-Family Housing			
Fund Balance - 6/30/06 (est.)	\$ 407	\$ 206	\$ 4,828	\$ -	\$ 455	\$ 758	\$ 11,490	\$ 18,144
Revenues								
Intergovernmental:								
Property Taxes	-	-	-	-	-	-	-	-
In-lieu VLF	-	-	-	-	-	-	-	-
In-lieu Sales Tax	-	-	-	-	-	-	-	-
Sales & Use Taxes	-	761	-	-	-	-	-	761
Vehicle License Fees	-	-	-	-	-	-	-	-
Other Intergovernmental	1,354	-	172	2,728	-	1,176	248	5,678
Business Taxes	-	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-	-
Charges for Services	502	-	40	-	-	-	7,661	8,203
Fines	-	-	-	-	-	-	-	-
Investment Earnings	-	-	-	-	-	13	-	13
Paramedic Fees	-	-	-	-	-	-	-	-
Sale of Bonds	-	-	-	-	-	-	-	-
Other Revenues	278	-	852	-	50	-	-	1,180
Total Revenues	2,134	761	1,064	2,728	50	1,189	7,909	15,835
Total Transfers In			132			50		182
Total Available Resources	2,541	967	6,024	2,728	505	1,997	19,399	34,161
Expenditures								
General Government	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	1,093	-	1,093
Fire	-	-	-	-	-	304	-	304
Transportation and Operations	-	-	-	-	-	-	7,869	7,869
Community Development:								
Planning	-	-	-	-	-	-	-	-
Building & Safety	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
Community Preservation	-	-	-	-	-	-	-	-
Housing and Redevelopment	-	-	-	-	385	-	-	385
Human Services	2,189	822	749	2,691	-	-	-	6,451
Parks and Recreation	-	-	-	-	-	-	-	-
Non-departmental	-	-	-	-	-	-	-	-
Less: Citywide Savings	-	-	-	-	-	-	-	-
Debt costs	-	-	641	-	-	-	-	641
Total Expenditures	2,189	822	1,390	2,691	385	1,397	7,869	16,743
Total Transfers Out	34	19	360	37	57		306	813
Total Use of Resources	2,223	841	1,750	2,728	442	1,397	8,175	17,556
Fund Balance - 6/30/07 (est.)	\$ 318	\$ 126	\$ 4,274	\$ -	\$ 63	\$ 600	\$ 11,224	\$ 16,605

Special Revenue Funds

(Thousands of Dollars)	Actuals FY 2004/05	Budget FY 2005/06	Budget FY 2006/07
Beginning Fund Balance	\$ 14,867	\$ 15,497	\$ 18,144
Revenues			
Intergovernmental:			
Property Taxes	-	-	-
State ERAF III Revenue loss	-	-	-
In-lieu VLF	-	-	-
In-lieu Sales Taxes	-	-	-
Sales & Use Taxes	-	709	761
Vehicle License Fees	-	-	-
Other Intergovernmental	5,658	6,188	5,678
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	6,094	6,922	8,203
Fines	-	-	-
Investment Earnings	163	50	13
Paramedic Fees	-	-	-
Sale of Bonds	-	-	-
Other Revenues	857	428	1,180
Total Revenues	12,772	14,297	15,835
Transfers In	223	185	182
Total Available Resources	27,862	29,979	34,161
Expenditures			
General Government	-	-	-
Police	1,199	1,099	1,093
Fire	414	334	304
Transportation and Operations	3,919	6,021	7,869
Community Development:			
Planning	-	-	-
Building & Safety	-	-	-
Engineering	-	-	-
Community Preservation	-	-	-
Housing and Redevelopment	-	246	385
Human Services	5,254	6,498	6,451
Parks and Recreation	-	-	-
Non-departmental	-	-	-
Less: Citywide Savings	-	-	-
Debt costs	40	461	641
Total Expenditures	10,826	14,659	16,743
Transfers Out	1,122	849	813
Transfers to Reserves	-	-	-
Total Use of Resources	11,948	15,508	17,556
Ending Fund Balance	\$ 15,914	\$ 14,471	\$ 16,605

Redevelopment Agency Funds

City of Fremont 2006/07 Adopted Operating Budget

The Fremont Redevelopment Agency is a separate legal entity from the City of Fremont (the City Council serves as the Board of the Redevelopment Agency) responsible for implementing the adopted Redevelopment Plans in the Centerville, Irvington, Niles and Industrial redevelopment project areas. The City Manager is also the Executive Director of the Redevelopment Agency, and the Office of Housing and Redevelopment is the staff division responsible for managing the implementation of the Redevelopment Plans. Information on current Redevelopment Agency activities is available at www.fremont.gov/CityHall/Departments/default.htm.

Sources of Revenue

The Redevelopment Agency receives property tax increment revenues to fund its programs and projects. Property tax increment generally consists of the incremental property tax revenues that are generated by increasing property values in each of the project areas since the Redevelopment Plans were established. Twenty percent of the Redevelopment Agency's property tax increment revenues (Housing Set-Aside Revenues) are set aside to be used exclusively on affordable housing activities. The projection of FY 2006/07 revenue is cautious, anticipating an impact from assessed valuation appeals in the Industrial redevelopment project area and modest property value increases in historic districts.

The Redevelopment Agency has also issued bonds to support its activities. The debt service on these bonds is paid from and secured by property tax increment revenues.

Uses of Revenue

Redevelopment Agency funds can only be used for eligible activities as outlined in California Redevelopment Law (CRL) in two primary categories: Affordable Housing activities and Redevelopment activities. The FY 2006/07 Redevelopment Agency budget reflects proposed expenditures in the following funds:

Affordable Housing Fund

This column defines the FY 2006/07 budget authority for the use of Housing Set-Aside revenues. There are four funds for the Agency's affordable housing activities. Key elements of the Affordable Housing Operating Budget include debt service payments on the 2003 Affordable Housing Bond Issue, administrative expenses and projected capital expenditures on affordable housing projects. It is important to note that projected capital expenditures include projects to which funds have been appropriated in prior years. All capital project appropriations are considered as part of the Project Appropriations Plan described below.

Redevelopment Operating Fund

This column defines the FY 2006/07 budget authority for the use of redevelopment (non-housing) revenues. Other key elements of the

Redevelopment Operating budget include pass through payments to taxing agencies (\$8.0 million), administrative expenses, and anticipated expenditures on redevelopment projects.

Debt Service Funds

This column defines the FY 2006/07 budget authority for the payment of Redevelopment debt service expenses. Property tax increment revenues are received in the Debt Service Funds to support debt service payments on outstanding bonds. Tax increment revenues are also transferred to the Redevelopment Operating Fund, the Redevelopment Capital Fund, and the Affordable Housing Fund to support expenditures on projects and programs.

Bond Proceeds Funds

This column defines the FY 2006/07 budget authority for the use of bond proceeds from the 2000 Bond Issue and the 2003 Affordable Housing Bond Issue.

Capital Projects Fund

This column defines the FY 2006/07 projected capital Redevelopment (non-housing) expenditures of the Agency. It is important to note that projected capital expenditures include projects to which funds have been appropriated in prior years. All capital project appropriations are considered as part of the Project Appropriations Plan described in the Office of Housing and Redevelopment section of the budget document.

Redevelopment Funds (RDA)

(Thousands of Dollars)	Redevelopment Administration	Debt Service	Capital	Bond Proceeds	Housing Bond and Debt Service	Housing Bond Proceeds	Affordable Housing	Eliminating Internal Transfers	Total Redevelopment
Fund Balance - 6/30/06 (est.)	\$ 3,440	\$ 33,614	\$ 27,738	\$ 466	\$ 2,178	\$ 3,248	\$ 7,333	\$ -	\$ 78,017
Revenues									
Intergovernmental:									
Property Taxes	-	23,100	-	-	-	-	5,800	-	28,900
In-lieu VLF	-	-	-	-	-	-	-	-	-
In-lieu Sales Taxes	-	-	-	-	-	-	-	-	-
Sales & Use Taxes	-	-	-	-	-	-	-	-	-
Vehicle License Fees	-	-	-	-	-	-	-	-	-
Other Intergovernmental	-	-	-	-	-	-	-	-	-
Business Taxes	-	-	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-
Investment Earnings	-	1,300	-	-	-	100	61	-	1,461
Paramedic Fees	-	-	-	-	-	-	-	-	-
Sale of Bonds	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	800	-	800
Total Revenues	-	24,400	-	-	-	100	6,661	-	31,161
Total Transfers In	8,000	-	10,000	-	7,505	-	-	(25,505)	-
Total Available Resources	11,440	58,014	37,738	466	9,683	3,348	13,994	(25,505)	109,178
Expenditures									
General Government	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Transportation and Operations	-	-	-	-	-	-	-	-	-
Community Development:									
Planning	-	-	-	-	-	-	-	-	-
Building & Safety	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-
Community Preservation	-	-	-	-	-	-	-	-	-
Housing and Redevelopment	9,429	-	37,200	-	-	3,000	4,773	-	54,402
Human Services	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Non-departmental	-	-	-	-	-	-	-	-	-
Less: Citywide Savings	-	-	-	-	-	-	-	-	-
Debt costs	-	-	-	-	7,505	-	-	-	7,505
Total Expenditures	9,429	-	37,200	-	7,505	3,000	4,773	-	61,907
Total Transfers Out	171	22,889	-	-	-	-	2,695	(25,505)	250
Total Use of Resources	9,600	22,889	37,200	-	7,505	3,000	7,468	(25,505)	62,157
Fund Balance - 6/30/07 (est.)	\$ 1,840	\$ 35,125	\$ 538	\$ 466	\$ 2,178	\$ 348	\$ 6,526	\$ -	\$ 47,021

Redevelopment Funds (RDA)

(Thousands of Dollars)	Actuals FY 2004/05	Budget FY 2005/06	Budget FY 2006/07
Beginning Fund Balance	\$ 110,075	\$ 90,761	\$ 78,017
Revenues			
Intergovernmental:			
Property Taxes	27,127	29,553	28,900
State ERAF III Revenue loss	(2,317)	(2,316)	-
In-lieu VLF	-	-	-
In-lieu Sales Taxes	-	-	-
Sales & Use Taxes	-	-	-
Vehicle License Fees	-	-	-
Other Intergovernmental	-	-	-
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	-	-	-
Fines	-	-	-
Investment Earnings	2,528	1,750	1,461
Paramedic Fees	-	-	-
Sale of Bonds	-	-	-
Other Revenues	991	5,075	800
Total Revenues	28,329	34,062	31,161
Transfers In	9	-	-
Total Available Resources	138,413	124,823	109,178
Expenditures			
General Government	-	-	-
Police	-	-	-
Fire	-	-	-
Transportation and Operations	-	-	-
Community Development:			
Planning	-	-	-
Building & Safety	-	-	-
Engineering	-	-	-
Community Preservation	-	-	-
Housing and Redevelopment	35,039	68,735	54,402
Human Services	-	-	-
Parks and Recreation	-	-	-
Non-departmental	-	-	-
Less: Citywide Savings			
Debt costs	6,249	7,500	7,505
Total Expenditures	41,288	76,235	61,907
Transfers Out	341	309	250
Transfers to Reserves	-	-	-
Total Use of Resources	41,629	76,544	62,157
Ending Fund Balance	\$ 96,784	\$ 48,279	\$ 47,021

Capital Funds

The current five-year Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) was adopted on June 7, 2005, and includes appropriations for projects from FY 2005/06 through 2009/10. These funds are included within the City's operating budget in summary format to present a comprehensive picture of all the City's funds. Additional CIP/ICAP summary information can be found in the "Capital Budget Summary" section and the Housing and Redevelopment Department section of this document. The complete capital plan can be found in the City's CIP/ICAP document.

General Fund Group

These funds are transferred from the General Fund and may be used for projects designated by the City Council. The debt service budget for assets acquired using certificates of participation (COPs) is also displayed here.

Maintenance

These funds include most of the annual budget for maintenance activities. (The remainder is contained the Gas Tax fund group). The largest share of these resources comes in the form of a transfer from the General Fund. Other resources include charges for maintenance services.

Vehicle Replacement

Vehicle replacement resources are collected through annual charges to City departments based on their actual vehicle fleet. The charges are intended to provide funding for anticipated vehicle replacement needs in the budget year. Funds not used in one year are retained in the fund for future years, thereby potentially reducing departmental charges in the future.

Gas Tax Funds

Revenue in this fund comes from State gas tax and other sources, such as Measure B sales tax distributions, and can only be used for street maintenance and other traffic improvement projects.

Park Impact Fee Funds

Funds in this group are restricted to acquisition, development, and/or rehabilitation of park land. The Parks and Recreation chapter of the General Plan contains the City's policies, standards and guidelines for acquisition and development activities eligible for funding with park funds. The City Council has also adopted a Parks and Recreation Master Plan. The FY 2005/06 - FY 2009/10 Capital Improvement Program projects the use of the accumulated fund balance in these funds over the next five years.

Traffic Impact Fee Funds

Traffic impact fees are collected from development projects for streets, intersection improvements, and other infrastructure necessary to mitigate the transportation impacts of new development. These funds come from fees levied on all new development in the City.

Restricted Capital Funds

These funds are included by reference only; the amounts noted show the funds received from various grants that can be used for a specific capital project. All other projects in this group are either partially or fully funded by other funding sources not available for use other than as specified. Refer to the "restricted funds group" detail in the CIP/ICAP document.

Capital Improvement Funds

(Thousands of Dollars)	Integrated Capital Assets Plan		Vehicle Replacement	Gas Tax	Park Fees	Traffic Impact	Restricted Group	Expenditure Reclass*	Total Projects
	General Fund	Maintenance							
Fund Balance - 6/30/06 (est.)	\$ -	\$ 3,307	\$ 3,771	\$ 3,186	\$ 8,493	\$ 177	\$ -	n.a	\$ 18,934
Revenues									
Intergovernmental:									
Property Taxes	-	-	-	-	-	-	-	-	-
In-lieu VLF	-	-	-	-	-	-	-	-	-
In-lieu Sales Taxes	-	-	-	-	-	-	-	-	-
Sales & Use Taxes	-	-	-	-	-	-	-	-	-
Vehicle License Fees	-	-	-	-	-	-	-	-	-
Other Intergovernmental	-	-	-	5,485	-	-	-	-	5,485
Business Taxes	-	-	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-	-	-
Charges for Services	-	2,484	1,170	-	-	-	-	(1,170)	2,484
Fines	-	-	-	-	-	-	-	-	-
Investment Earnings	150	-	-	162	635	420	-	-	1,367
Paramedic Fees	-	-	-	-	-	-	-	-	-
Sale of Bonds	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	350	1,015	954	-	2,319
Total Revenues	150	2,484	1,170	5,647	985	1,435	954	(1,170)	11,655
Total Transfers In	13,947	21,465	-	-	-	-	-	-	35,412
Total Available Resources	14,097	27,256	4,941	8,833	9,478	1,612	954	(1,170)	66,001
Expenditures									
General Government	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Transportation and Operations	-	18,042	-	310	-	-	-	(310)	18,042
Community Development:									
Planning	-	-	-	-	-	-	-	-	-
Building & Safety	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-
Community Preservation	-	-	-	-	-	-	-	-	-
Housing and Redevelopment	-	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	4,522	-	-	-	-	-	-	4,522
Non-departmental	2,403	-	1,089	5,394	282	1,537	-	(5,597)	5,108
Less: Citywide Savings	-	-	-	-	-	-	-	-	-
Debt costs	7,813	-	-	-	-	-	-	-	7,813
Total Expenditures	10,216	22,564	1,089	5,704	282	1,537	-	(5,907)	35,485
Total Transfers Out	-	2,676	1,000	1,196	-	-	954	-	5,826
Total Use of Resources	10,216	25,240	2,089	6,900	282	1,537	954	(5,907)	41,311
Fund Balance - 6/30/07 (est.)	\$ 3,881	\$ 2,016	\$ 2,852	\$ 1,933	\$ 9,196	\$ 75	\$ -	n.a	\$ 24,690

*NOTE: A portion of Capital Improvement Funds' expenditures are reclassified because costs for design, engineering, and other staff charges to capital projects are budgeted as part of the costs of projects and also included in departments' budgets. Total fund balance does not include available fund balances in restricted fund groups which are contained in the CIP/ICAP.

Capital Improvement Funds

(Thousands of Dollars)	Actuals FY 2004/05	Budget FY 2005/06	Budget FY 2006/07
Beginning Fund Balance	\$ 19,604	\$ 17,032	\$ 18,934
Revenues			
Intergovernmental:			
Property Taxes	-	-	-
State ERAF III Revenue loss	-	-	-
In-lieu VLF	-	-	-
In-lieu Sales Taxes	-	-	-
Sales & Use Taxes	-	-	-
Vehicle License Fees	-	-	-
Other Intergovernmental	5,978	5,485	5,485
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	2,300	2,400	2,484
Fines	-	-	-
Investment Earnings	1,772	1,821	1,367
Paramedic Fees	-	-	-
Other Revenues	2,539	2,355	2,319
Total Revenues	12,589	12,061	11,655
Operating Transfers In	26,278	28,689	35,412
Total Available Resources	58,471	57,782	66,001
Expenditures			
General Government	-	-	-
Police	-	-	-
Fire	-	-	-
Transportation and Operations	20,200	21,235	18,042
Community Development:			
Planning	-	-	-
Building & Safety	-	-	-
Engineering	-	-	-
Community Preservation	-	-	-
Housing and Redevelopment	-	-	-
Human Services	-	-	-
Parks and Recreation	-	-	4,522
Non-departmental	5,620	3,660	5,108
Less: Citywide Savings	-	-	-
Debt costs	4,394	6,091	7,813
Total Expenditures	30,214	30,986	35,485
Operating Transfers Out	4,523	4,619	5,826
Transfers to Reserves	-	-	-
Total Use of Resources	34,737	35,605	41,311
Ending Fund Balance	\$ 23,734	\$ 22,177	\$ 24,690

Capital Budget Summary

The unitalicized text that follows is excerpted from the FY 2005/06 – 2009/10 Adopted CIP/ICAP (Capital Improvement Program/Integrated Capital Assets Plan) dated June 7, 2005. This City Council adopted document is a two year program/plan.

The Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) is produced every two years. This year's CIP/ICAP forecasts and allocates the resources that the City will use to build and maintain its infrastructure between FY2005/06 and FY2009/10. The CIP/ICAP combines two budgetary components: building City infrastructure (CIP) and maintaining the City's existing assets (ICAP). The plan appropriates money for capital projects and the maintenance of existing infrastructure for two years, but it defines a plan that looks forward five years. The CIP/ICAP is a budget, but it is also a tool to facilitate strategic thought and comprehensive capital planning. The structure of this process provides the opportunity to finance capital infrastructure and maintenance, to balance the City's needs and priorities for a five-year period, and to develop a plan that is strategic, comprehensive, and flexible. This memo introduces the FY2005/06-FY2009/10 CIP/ICAP, provides the context of the plan development, highlights several projects, and explains key components of the plan.

The investment in and maintenance of the City's physical infrastructure continues to be a priority of the community and the City Council. The development of this year's CIP/ICAP centered on the fact that the City's basic capital needs far exceed available resources. The City Council and staff have worked under this premise during the preparation of the last two capital plans. Fremont continues to feel the effects of the fiscal crisis that hit the Bay Area four years ago, both within its operating and capital budgets. On top of localized fiscal constraints, the State continues to challenge the City's ability to effectively manage and pay for maintenance of its assets, especially as a result of takeaways of the sales tax on gas tax and redevelopment funding. These challenges proved even more significant as the City prepared its second CIP/ICAP under these funding constraints. This capital plan inadequately funds core maintenance needs, for example street overlays, and leaves no funds available to respond to key citizen interests, like neighborhood traffic calming. As the City's assets continue to deteriorate without funds to maintain them, citizens will witness an even more stark reality as streets show more wear and playgrounds are removed. The community has realized that their property values are directly linked to the quality of the City's infrastructure and this will become even more apparent as that infrastructure deteriorates further.

The City of Fremont will continue to face challenges in finding funds to build and maintain capital infrastructure and to maintain assets at a level that is acceptable to those who live and work in the City. This plan appropriates funds for two years, and provides a plan to follow as the City considers years beyond 2007/2008. The process to update this plan biannually provides the City Council with a regular opportunity to consider these challenges, and to consider options for addressing them. Despite the challenges associated with this plan, the City will proceed with the aggressive capital work program outlined so it can continue to be recognized as a strong, progressive, and innovative leader in the Bay Area.

CIP/ICAP Funding Sources

CIP/ICAP programs are funded from a variety of sources: The General Fund, Gas Tax funds, Park funds, Traffic Impact fee funds, and a variety of restricted capital funds. The CIP/ICAP reflects the City's investment in capital assets so it includes a summary of the Redevelopment Agency and Maintenance budgets.

General Fund – The General Fund portion of the CIP/ICAP is unrestricted and can be used for any project designated by the City Council. This portion of the CIP/ICAP budget draws funding from a variety of sources, including the City's General Fund, interest earnings, unappropriated fund balance, and proceeds from unexpended funds from project closeouts. The General Fund will contribute \$1 million in each year of the plan for the development of the City's Downtown. Additionally, the General Fund will contribute \$6.065 million for other capital projects, which amounts to approximately \$1.213 million annually. Staff estimates that the beginning fund balance for FY2005/06 will be \$(434,363). This negative beginning balance will be offset by interest earnings during the first year of the plan. Staff estimates interest earnings to generate approximately \$730,000 over the five-year plan. The total General Fund contribution for five years is \$11,065,000. Additionally, the General Fund will contribute \$34,833,492 to cover existing debt service obligations.

Gas Tax Fund Group – Revenue in this fund group comes from the City's share of the State-collected gasoline taxes and funds from the Measure B half-cent sales tax for transportation-related expenditures. The City can only use these funds for street maintenance and other transportation improvement projects. Staff estimates that this fund group will have approximately \$30,600,000 available over the next five years for capital projects. This includes \$27,800,000 in new revenues, \$2,000,000 in estimated beginning fund balance, and \$770,000 in interest earnings and project close outs. These revenue estimates are what is available to meet close to \$40 million in needs, as submitted in this year's capital plan. Depressed gas sales resulting from the economic recession have limited the projections of available revenue in this fund group. Additionally, the fact that gasoline taxes are not indexed to inflation and have not seen a rate increase since 1991 severely hampers the ability of revenues to keep up with annual project and operating cost increases.

Traffic Impact Fee (TIF) – This fund group accounts for monies received from developers to mitigate impacts on the City's transportation networks resulting from new development. The funds reflect new development's share of the cost of street improvements, interchanges, and other traffic infrastructure improvements. The City Council sets the fee amounts to be charged on all new development within the City on a dollar per dwelling unit or dollar per square foot basis. Over the next five years, staff estimates that the total available resources for this fund group will be \$7,000,000. Staff based their estimates on projected residential and non-residential construction activity and interest earnings over the next five years. Less development means less revenue and fewer TIF projects.

Bike & Pedestrian Fund Group – This fund group accounts for a new Alameda County Measure B fund dedicated to bicycle and pedestrian projects only. The City can only use these funds for transportation improvement projects that positively impact the flow of bicycle and pedestrian traffic throughout the City. Staff estimates that this fund group will have approximately \$2,740,000 available over the next five years for capital projects. This includes \$2,500,000 in new revenues, \$145,000 in estimated beginning fund balance, and \$120,000 in interest earnings and project close outs.

Park Development Impact Fees – This fund group accounts for monies received from developers to mitigate impacts on the parks system resulting from new development and population growth. The City Council sets the fee amounts to be charged on all new residential development within the City on a per dwelling unit basis. According to State law, these funds can only be used to expand existing parks or to develop newly acquired parkland. Per staff estimates, this fund will have approximately \$13,600,000 million available over the five-year CIP/ICAP period to fund park development projects, of which \$9,200,000 is currently allocated to projects on hold due to maintenance impacts. New fees and interest earnings are anticipated to generate \$1,550,000 and \$2,870,000 respectively. Staff based their revenue estimates on projected residential construction activity and interest earnings over the next five years.

Park Dedication In Lieu Fees – This fund group accounts for monies received from developers to acquire additional parkland within the City. The City Council sets the fee amounts to be charged on all new residential development within the City on a per dwelling unit basis. Based on staff estimates, this fund will have approximately \$4,400,000 available over the five-year CIP/ICAP period to acquire parkland. Beginning fund balance comprises \$2,900,000 of this amount while new fees and interest earnings generate \$1,300,000 and \$230,000 respectively. This plan does not include appropriations for acquisition of any specific projects or potential park sites during the next five years. The City will hold the funds in an account until an appropriate site for acquisition is found. Whenever desirable sites are available for acquisition, staff will return to the City Council for approval and appropriation authority. Staff based their revenue estimates on projected residential construction activity and interest earnings over the next five years.

Redevelopment Agency Fund Group – This fund group includes revenue available from the City's Redevelopment Agency to pay for its capital projects. The major sources of revenues in this fund group are from property tax increment and proceeds from the issuance of tax allocation bonds issued by the Redevelopment Agency. Per the estimates, this fund group will have approximately \$30.8 million in available resources over the five-year CIP/ICAP period. In addition, the Agency will dedicate approximately \$27 million to affordable housing efforts.

Committed/Restricted Fund Group – This fund group accounts for funds that the City projects to receive from State, Federal and other agencies to fully or partially fund specific capital projects. It also lists internal restricted City funds available for specified purposes within the plan. Estimates of the total available funding included in this group are at \$11,900,000. Some of the funds available in this group include Federal Surface Transportation Program money for street overlays (approximately \$2.2 million), State Proposition funding for the new Family Water Park Facility in Central Park (\$3.7 million), and Transportation Development Act funding for intersection ramps (approximately \$280,000). These outside funding sources help to relieve the pressure on other available CIP funding sources. However, these outside funds continue to become less and less available.

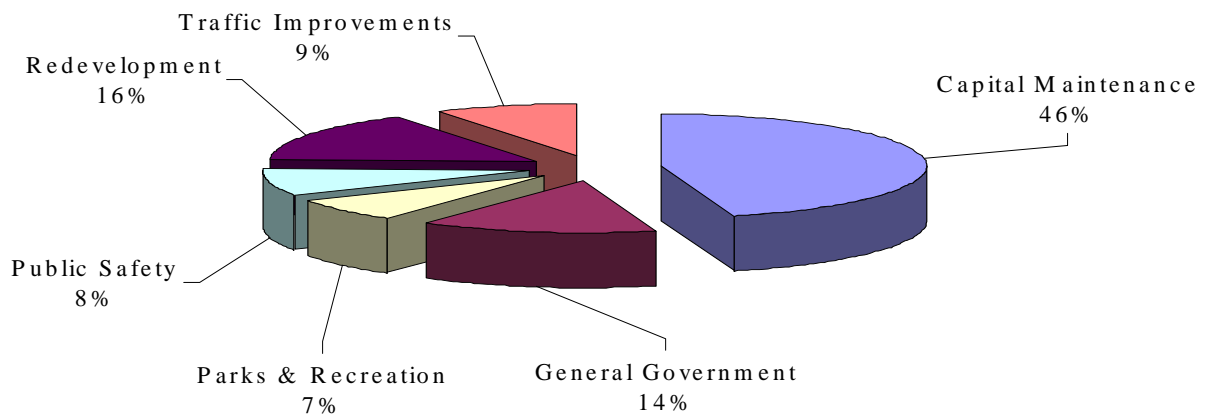
Capital Improvement Project Highlights

Within the CIP/ICAP, projects are categorized by major funding sources and among seven programs: Public Safety, Capital Maintenance, Traffic Improvements, Parks and Recreation, Redevelopment, Human and Cultural Services, and General Government. The chart below shows that the largest share of the CIP/ICAP budget, 46%, supports maintenance of the City's infrastructure.

CIP/ICAP 2005/06 - 2009/10

Distribution of Funding by Project Category

Total: \$329,040,000



This section provides a summary of key projects within each program category except for Redevelopment (those projects are included in the Housing and Redevelopment department section). Information about CIP/ICAP funds summarized in the operating budget can be found in the Other Funds section of this document. A comprehensive list of projects is available in the adopted CIP/ICAP for fiscal years 2005/06 through 2009/10.



Public Safety:

1. Title: Fire/Police Training Facility

SubProgram: Fire

Project Description: Construction of Fire and Police Training Center/Firing Range.

Funding Source: General Obligation Bonds issued pursuant to voter-approved Measure R

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$2,000,000	\$0	\$7,524,000	\$0	\$0	\$9,524,000

2. Title: Fire Station #6 Centerville

SubProgram: Fire

Project Description: Construction of replacement Fire Station #6 in the Centerville District.

Funding Source: General Obligation Bonds issued pursuant to voter-approved Measure R

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$0	\$6,455,000	\$0	\$0	\$0	\$6,455,000

3. Title: Fire Station #2 Niles

SubProgram: Fire

Project Description: Construction of replacement Fire Station #2 in the Niles District.

Funding Source: General Obligation Bonds issued pursuant to voter-approved Measure R

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$5,293,000	\$0	\$0	\$0	\$0	\$5,293,000

4. Title: Fire Station #3 Irvington

SubProgram: Fire

Project Description: Seismic retrofit/renovations of Fire Station #3 in the Irvington District.

Funding Source: General Obligation Bonds issued pursuant to voter-approved Measure R

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$2,624,000	\$0	\$0	\$0	\$0	\$2,624,000

5. Title: Fire Station #1 Seismic Retrofit/Renovations

SubProgram: Fire

Project Description: Seismic retrofit/renovations of Fire Station #1 on Central Avenue

Funding Source: General Obligation Bonds issued pursuant to voter approved Measure R

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$5,293,000	\$0	\$0	\$0	\$0	\$5,293,000

Capital Maintenance

1. **Title:** Concrete Repair Program, Citywide

SubProgram: Streets/Infrastructure

Project Description: Existing annual project for reconstruction of curbs, gutters, sidewalks, driveway approaches and installation of handicap ramps where sidewalk replacement is required at two or more quadrants of an intersection.

Funding Source: General Fund 501

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$633,000	\$0	\$0	\$0	\$0	\$633,000

2. **Title:** Slurry Sealing

SubProgram: Streets/Infrastructure

Project Description: Seal selected street surfaces with an asphalt/sand mixture.

Funding Source: State Gas Tax 2105

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$228,965	\$235,834	\$242,909	\$163,525	\$167,564	\$1,038,797

3. **Title:** Street Overlays

SubProgram: Streets/Infrastructure

Project Description: Apply asphalt overlay on selected streets throughout the City.

Funding Source: State Gas Tax 2107
State Gas Tax 2105
ACTIA Measure B Local Streets
ACTIA Measure B Bikes/Peds
ISTEA/STP (Overlays)
Congestion Management Agency Transportation Improvement Program (CMA TIP)

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$2,920,405	\$2,708,300	\$2,596,219	\$1,738,369	\$1,739,480	\$11,702,773

4. **Title:** Cape Sealing

SubProgram: Streets/Infrastructure

Project Description: Apply asphalt emulsions to street surfaces to seal the surface.

Funding Source: ACTIA Measure B Local Streets

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$714,674	\$736,114	\$758,198	\$510,583	\$519,000	\$3,238,569

5. Title:	Public Buildings – Capital Replacements and Major Maintenance Repair					
SubProgram:	Buildings					
Project Description:	Annual project to fund major maintenance repair and replacement work on City buildings such as roof restorations or replacements, HVAC systems, floor coverings, boiler replacements, and painting.					
Funding Source:	General Fund (501)					
Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$0	\$510,000	\$560,000	\$530,000	\$510,000	\$2,110,000

Traffic Improvements

1. Title:	I-880/Mission Boulevard/Warren Avenue Interchange					
SubProgram:	Bridge and Overpasses					
Project Description:	Reconstruct I-880/Mission Boulevard Interchange, construct local interchange at Warren Avenue, widen Mission Boulevard (State Route 262) to six lanes west of Warm Springs Boulevard, and build railroad grade separation on Warren Avenue. Widen I-880 through new interchange.					
Funding Source:	Redevelopment (non-housing capital)					
Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$8,300,000	\$0	\$0	\$0	\$0	\$8,300,000

2. Title:	Osgood Road/South Grimmer Boulevard to Washington Boulevard, Street Improvements					
SubProgram:	Street Improvements					
Project Description:	Complete unimproved frontages on Osgood Road between South Grimmer Boulevard and Washington Boulevard to provide four lanes, two-way, bike lanes and sidewalk. Rehabilitate existing pavement.					
Funding Source:	Traffic Impact Fee TEA 21 High Priority					
Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$2,000,000	\$0	\$0	\$0	\$0	\$2,000,000

3. Title:	Washington-Paseo Padre Grade Separations					
SubProgram:	Bridges and Overpasses					
Project Description:	Construction of railroad grade separations (underpass at Paseo Padre Parkway and overpass at Washington Boulevard) at the Union Pacific Railroad tracks and proposed BART extension. Provides for cost-effective BART extension and elimination of six at grade crossings.					
Funding Source:	Traffic Impact Fee					
Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$200,000	\$800,000	\$1,145,000	\$155,000	\$0	\$2,300,000

Parks & Recreation

- 1. Title:** Irvington Community Park All-Weather Turf Sports Field
- SubProgram:** Other Parks
- Project Description:** This project would install an all-weather, artificial sports turf of approximately 1,300 square feet at the existing football field.
- Funding Source:** Park Facility Impact Fee (after July 1995)
- Project Cost:**
- | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Five Year Total |
|-------------|---------|---------|---------|---------|-----------------|
| \$1,515,000 | \$0 | \$0 | \$0 | \$0 | \$1,515,000 |
- 2. Title:** Marshall Park Irrigation Line
- SubProgram:** Other Parks
- Project Description:** Install a new water service meter, backflow preventor, irrigation lines and valves to serve the ball fields on the 7.66 acre city parcel acquired in April 2003.
- Funding Source:** Park Facility Impact Fee (after July 1995)
- Project Cost:**
- | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Five Year Total |
|-----------|---------|---------|---------|---------|-----------------|
| \$155,000 | \$0 | \$0 | \$0 | \$0 | \$155,000 |
- 3. Title:** Water Park (Family Water Play Facility)
- SubProgram:** Central Park
- Project Description:** The Water Park would include a variety of elements for enjoyment by the entire community, as well as support facilities for administration, operations, and maintenance. Key components are envisioned to include the following: entry building, pool equipment building, shade areas for patrons, Lazy River, water slides, water play area for children ages 1-4, water play area for children ages 6-12, multi-purpose pool, secondary food concession, large sand and deck area, and picnic areas.
- Funding Source:** State of California Proposition 12 Funds (Water Park)
State of California Proposition 40 Funds (Water Park)
Recreation Operating Improvement Reserves (Water Park)
- Project Cost:**
- | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Five Year Total |
|-------------|-------------|---------|---------|---------|-----------------|
| \$4,425,480 | \$3,000,000 | \$0 | \$0 | \$0 | \$7,425,480 |

General Government

- 1. Title:** 39550 Liberty Street Seismic Upgrade
- SubProgram:** Facility Improvement
- Project Description:** Seismic retrofit of 39550 Liberty Street for magnitude 7.5 earthquake. City ordinance #2405 adopted on September 26, 2000, classifies this tilt-up building as a Type II, structure which requires remediation of the deficiencies within four years.
- Funding Source:** COP Debt
- Project Cost:**
- | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Five Year Total |
|-------------|---------|---------|---------|---------|-----------------|
| \$1,453,000 | \$0 | \$0 | \$0 | \$0 | \$1,453,000 |

- 2. Title:** Downtown Plan
- SubProgram:** General Government
- Project Description:** Implementation of the Central Business District (CBD) Concept Plan, including streetscape, parking, and signage improvements in the CBD, development of the retail attraction program, and physical improvements to link the CBD with the BART station.

Funding Source: General Fund (501)

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000

- 3. Title:** General Plan Update
- SubProgram:** General Government
- Project Description:** A comprehensive update of the following Elements of the General Plan: Transportation, Land Use, Health and Safety, Open Space, Natural Resources, Public Facilities (not included: Housing and Parks and Recreation). The Local Economy is an optional Element and further discussion is needed regarding its future.

Funding Source: General Fund (501)

Project Cost:	2005-06	2006-07	2007-08	2008-09	2009-10	Five Year Total
	\$475,000	\$475,000	\$0	\$0	\$0	\$950,000



Vision: Fremont, in the year 2020, will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.

Long-term Outcomes for the City of Fremont

1. **Dynamic local economy:** A diverse, strong, and adaptable economy where businesses can be successful in the global economy and where residents and visitors can enjoy high-quality commercial amenities.
2. **An engaged and connected multicultural community:** Strong relationships among people of all cultures and backgrounds to foster democratic community leadership and commitment to a flourishing Fremont.
3. **Thriving neighborhoods:** Safe and distinctive commercial and residential areas where people know each other, are engaged in their community, and take pride in their neighborhoods. Make Fremont a great place to raise children.
4. **Live and work in Fremont:** A range of housing to match the variety of jobs in Fremont enabling people to live and work locally throughout their lives.
5. **Interesting places and things to do:** Places of interest throughout the community where people want to gather, socialize, recreate, shop, and dine.
6. **Effective transportation systems:** A variety of transportation networks that makes travel easy throughout Fremont.

Key City Priorities

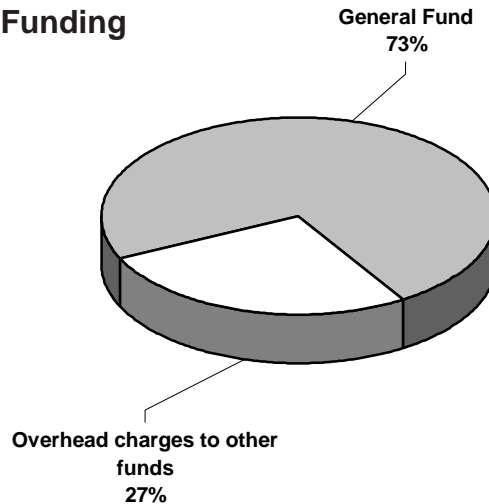
1. **Downtown:** Create a vibrant downtown Fremont that includes a mix of retail and restaurants.
2. **Centerville:** Implement the development project for the Centerville Redevelopment site (located on Fremont Boulevard, south of Thornton Avenue) that includes vibrant mixed-use retail and housing.
3. **Economic Development:** Recruit new retail and restaurants to Fremont; work to retain and expand current businesses.
4. **Pacific Commons:** In partnership with the property owners, study the market and land use feasibility of possible new uses for the remainder of the undeveloped land at Pacific Commons and, if new uses are found to be appropriate, develop a new land use plan for the area.
5. **BART to San Jose:** Facilitate the BART extension to Warm Springs and San Jose by working with partner agencies to secure full funding for the extensions.

6. Railroad Grade Separations: Take the Paseo Padre Parkway and Washington Boulevard railroad grade separations to bid in order to ease traffic congestion and accommodate the future BART extension to Warm Springs.

7. Housing Element: Increase affordable rental housing and homeownership opportunities within Fremont through the implementation of the City's Housing Element.

City Council Sources of Funding

FY 2006/07: \$ 235,648



City Council Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 116,897	\$ 110,269	\$ 133,868	\$ 133,868	\$ 133,868	\$ 134,060
Operating Expenditures	70,873	127,517	99,611	100,582	100,582	101,588
Capital Expenditures	-	-	-	-	-	-
Indirect Expense Allocation**	7,584	8,220	5,933	5,933	5,933	-
Totals	\$ 195,354	\$ 246,006	\$ 239,412	\$ 240,383	\$ 240,383	\$ 235,648

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

-2.0%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 City Council budget is \$235,648, which represents a small decrease from the FY 2005/06 adopted budget. City Council salaries are set by Council ordinance (FMC Section 2-1103) and are not increasing. The slight increase in the salary and benefits expenditure category is attributable to a slight rise in benefits costs. The elimination of the indirect expense allocation offsets the increase and is the result of the reassignment of a vehicle, previously designated for Council business, to another department.

Community Development



Mission: To work in partnership with the community, business, and industry to develop and preserve a quality environment.

Description of Responsibilities and Services

The Community Development Department provides community planning, engineering, code enforcement, building permit and inspection, and affordable housing and redevelopment services. Using the City's General Plan, zoning, and subdivision ordinances, the department acts as the steward of the community by assisting the public through mandated development project reviews, the subdivision of land, and related public improvement plans. To safeguard life, health, property, and public welfare, the department is also responsible for ensuring that buildings and public improvements are designed and constructed according to established standards and governing regulations. The City's capital assets, such as streets, parks, and public buildings, are designed and constructed under the department's auspices. Staff also provide support to the Planning Commission and the Historical Architectural Review Board.

Community Development Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
Planning	\$ 2,873,731	\$ 3,239,006	\$ 3,298,257	\$ 3,977,263	\$ 3,745,981
Building and Safety	4,199,304	4,628,545	4,782,419	5,282,956	5,229,763
Engineering	6,724,469	7,763,968	7,817,596	8,674,446	8,546,101
Community Preservation	592,714	573,393	555,554	634,922	632,761
Total Community Development	\$ 14,390,218	\$ 16,204,912	\$ 16,453,826	\$ 18,569,587	\$ 18,154,606

Note: Prior to FY 2006/07, the budget for the transportation engineering function (\$1.8 million in FY 2006/07) was included within the engineering budget. The relocation of this budget to the Transportation and Operations Department may distort comparisons with previous years, as these costs are not included in Community Development for FY 2006/07.

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.



Service Objectives

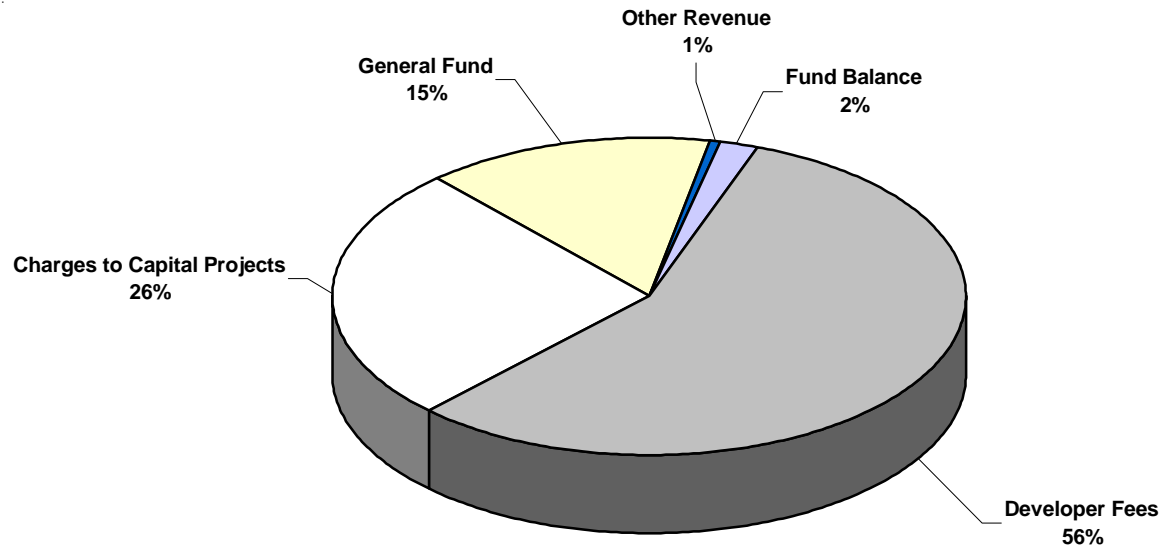
1. Negotiate a development agreement for the Capitol Avenue Project (Central Business District) that is consistent with existing land use entitlements to launch the downtown retail development effort.
2. Update the City's General Plan by building upon the work of the Celebrate Fremont community group to ensure that the community's vision is reflected in the General Plan 2030.
3. Enhance the existing seismic retrofit program for soft-story apartment buildings to ensure public safety in more facilities throughout the City.



4. Partner with the Redevelopment Agency to manage the former City Corporation Yard site disposition to optimize both affordable housing and key capital improvement funding opportunities.
5. Improve public access to development and permitting information on the Department's internet web page through enhancement of available information and integration of internet service technologies.
6. Enhance protection of the City's historic resources by revising the City's Historic Resource Preservation policies and procedures.
7. Enhance inclusionary housing and tenant protection by implementing a revised City condominium conversion policy.
8. Create guidelines that provide developer alternatives for meeting City requirements and policies related to multi-family residential projects.
9. Develop a program of incentives and education to ensure public and private sustainable development and construction practices implementing "Green Building" measures.
10. Develop a program to work with retailers to reduce abandoned shopping carts and the associated blight.
11. Refine development policies, and procedures to streamline the process, optimize City resource use, improve customer service, maintain review timeliness standards, and improve process consistency.

Community Development Sources of Funding

FY 2006/07: \$17,139,389



Community Development Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 11,253,717	\$ 12,577,164	\$ 13,157,341	\$ 14,631,312	\$ 14,531,910	\$ 13,429,521
Operating Expenditures	645,193	810,634	539,399	922,581	607,002	662,960
Capital Expenditures	14,259	4,346	2,674	74,500	74,500	53,500
Indirect Expense Allocation**	2,477,049	2,812,768	2,754,412	2,941,194	2,941,194	2,993,408
Totals	\$ 14,390,218	\$ 16,204,912	\$ 16,453,826	\$ 18,569,587	\$ 18,154,606	\$ 17,139,389

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

-5.6%

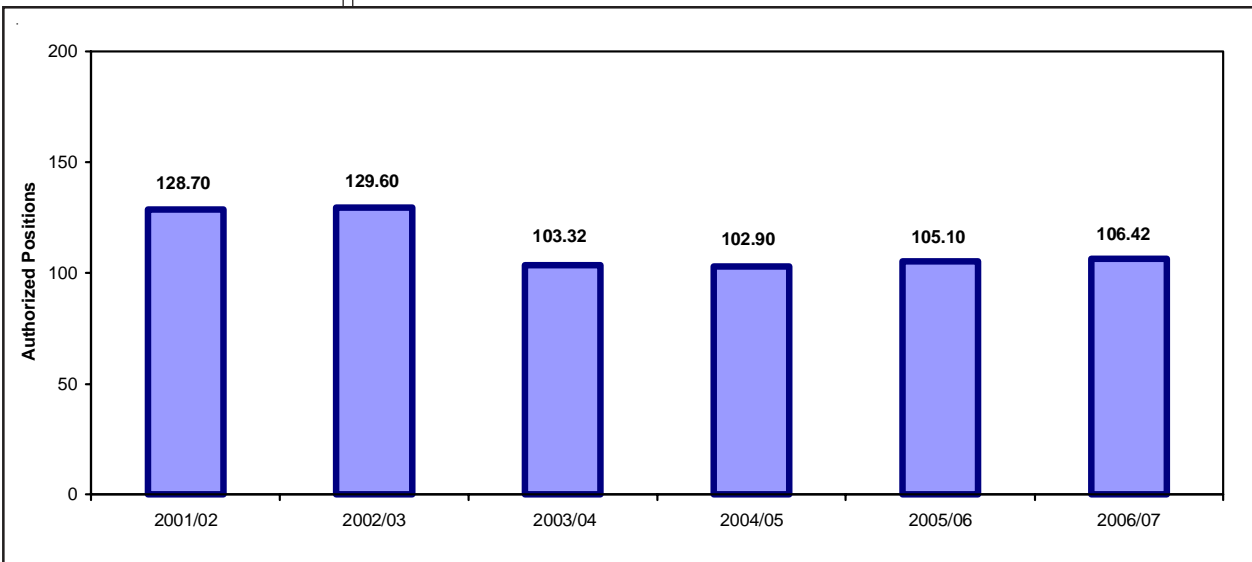
* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The Community Development Department is the product of an organizational restructuring intended to streamline progress toward the City's development and infrastructure goals. The Department is comprised of the development functions (planning, engineering, building and safety, and community preservation) previously housed within the Development and Environmental Services Department, with the exception of transportation engineering, which is now located in the Transportation and Operations Department.

The FY 2006/07 budget is \$17.1 million. The apparent decrease from the FY 2005/06 level is attributable to the shift of the budget for transportation engineering (\$1.8 million in FY 2006/07) to the newly formed Transportation and Operations Department. If these costs had been included with the FY 2006/07 Community Development budget for comparison purposes, costs would have increased by 3.8%, compared with the FY 2005/06 adopted budget. The budget includes increases in employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. The total authorized full-time equivalent staffing levels for all component functions has not changed from FY 2005/06; the reorganization occurred without adding staff.

Community Development Historical Authorized Staffing

Staffing by Function

FY 2006/07

106.42 Permanent Full-Time Equivalents

Community Development**Building & Safety**

Community Dev. Director 0.37
 Management Analyst II 0.25
 Management Analyst III 0.4
 Building & Safety Manager 0.925
 Building Inspector 8.0
 Building Inspector Specialist 6.0
 Dev. Services Supervisor 1.0
 Plan Check Engineer 5.0
 Plans & Permits Manager 1.0
 Senior Structural
 Plan Check Engineer 1.0
 Supervising Building Inspector 3.0
 Dev. Services Tech II 2.0
 Senior Dev. Services Tech 1.0
 Office Specialist II 2.6
 Senior Office Specialist 1.0

Community Preservation

Building & Safety Manager 0.075
 Community Preservation
 Manager 0.8
 Code Enforcement Officer II 5.0

Engineering

Community Dev. Director 0.2
 Management Analyst II 0.125
 Management Analyst III 0.3
 Civil Engineer II 4.0
 Landscape Architect/
 Designer II 2.0
 Associate Civil Engineer 4.75
 Associate Landscape
 Architect/Designer 1.0
 Chief of Party 1.0
 City Engineer 1.0
 Construction Inspector 3.0
 Construction Materials Insp. 1.0
 Real Property Agent 1.0
 Real Property Manager 1.0
 Senior Civil Engineer 4.0
 Senior Construction Insp. 4.0
 Senior Engineering Spec. 1.0
 Supervising Construction
 Coordinator 2.0
 Survey Instrument Operator 1.0
 Senior Executive Assistant 1.0
 Office Specialist II 2.0
 Senior Office Specialist 1.0
 Senior Landscape Architect 1.0
 Real Property Assistant II 1.0
 Civil Engineer I 1.0
 Facilities Design/Construction
 Project Supervisor III 1.0
 Facilities Design/Construction
 Project Supervisor II 1.0

Planning

Community Dev. Director 0.15
 Management Analyst II 0.125
 Management Analyst III 0.3
 Planner II 4.0
 Associate Civil Engineer 1.0
 Associate Planner 4.5
 Development Services
 Supervisor 1.0
 Information Systems
 Applications Specialist II 1.0
 Planner I 1.0
 Planning Director 1.0
 Senior Planner 2.0
 Zoning Technician 2.0
 Executive Assistant 0.9
 Senior Office Specialist 1.0
 Accounting Specialist II 1.0
 Office Specialist II 1.15
 Senior Dev. Services Tech. 1.0
 Dev. Services Tech I 1.0
 Community Dev. Special
 Projects Manager 0.5
 Development & Construction
 Services Manager 1.0

Economic Development



Mission: To improve the community's economic base and quality of life for businesses and residents by helping to create a dynamic local economy, develop interesting places and things to do, provide the ability to live and work in Fremont, retain and attract businesses, and strengthen sales tax revenues.

Description of Responsibilities and Services

The Office of Economic Development, in partnership with many internal and external stakeholders, proactively works with real estate brokers, developers, and property owners to create the type of retail, office, and industrial or technology-based development desired by the City; creates and implements an overall marketing strategy for the City as a quality place in which to live and do business; communicates with the business community to promote Fremont as a location of choice; works with regional development organizations to strengthen Fremont's position within the local, regional and global economies; assists Council's leadership position in economic development efforts; and assists the Redevelopment Agency in the revitalization of Fremont's historic commercial districts.

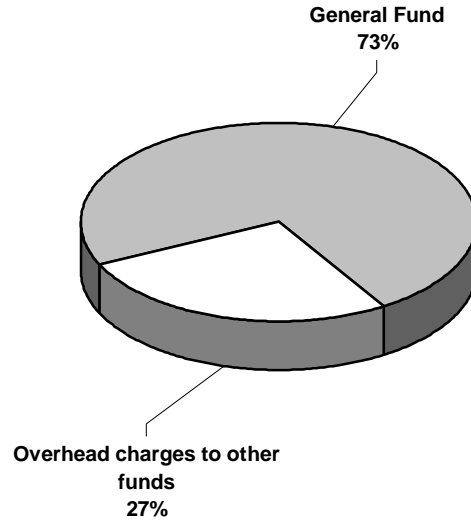
Service Objectives

1. Increase the local availability of goods, services, shopping, and dining alternatives by attracting retail businesses and restaurants to Fremont.
2. Promote the expansion of Fremont's existing biotech and life science industry base to increase quality employment opportunities for residents.
3. Serve as a liaison between project developers and the City's project management staff to ensure that strategic development projects move forward in a timely manner.
4. Sponsor educational seminars for local small businesses, including a Business Resource Fair, to strengthen the local business environment by better informing local businesses about how to contract with governmental agencies (e.g., BART, Alameda County, and the City) and how to receive State incentives (e.g., Employment Training Panel funds for manufacturers).
5. Increase marketing efforts to help residents use local community college and employment agency resources to connect to local jobs through the community newsletter, City website, and e-biz newsletter.
6. Provide local businesses with business attraction, site selection, permitting, and marketing assistance through direct personal assistance and support of www.FocusOnFremont.com and www.Fremont.gov.
7. Facilitate redevelopment project areas and Downtown Fremont development activities to encourage economic revitalization that will result in increased business activity and related tax revenues.

8. Identify and communicate business community concerns, issues, and topics of interest to the City Council through regular Economic Development Advisory Commission meetings and the Corporate Site Visit program.
9. Expand Municipal Cable Channel 27 programming to include pre-programmed videos from government agencies, updated City information, and enhanced graphics to give residents with more timely, detailed information about Fremont.

Economic Development Sources of Funding

FY 2006/07: \$967,368



Economic Development Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 554,053	\$ 543,403	\$ 618,645	\$ 618,027	\$ 618,027	\$ 659,519
Operating Expenditures	193,759	236,085	326,516	333,774	290,261	293,674
Capital Expenditures	4,663	-	-	505	505	-
Indirect Expense Allocation**	8,664	15,591	10,283	10,283	10,283	14,175
Totals	\$ 761,139	\$ 795,079	\$ 955,444	\$ 962,589	\$ 919,076	\$ 967,368

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

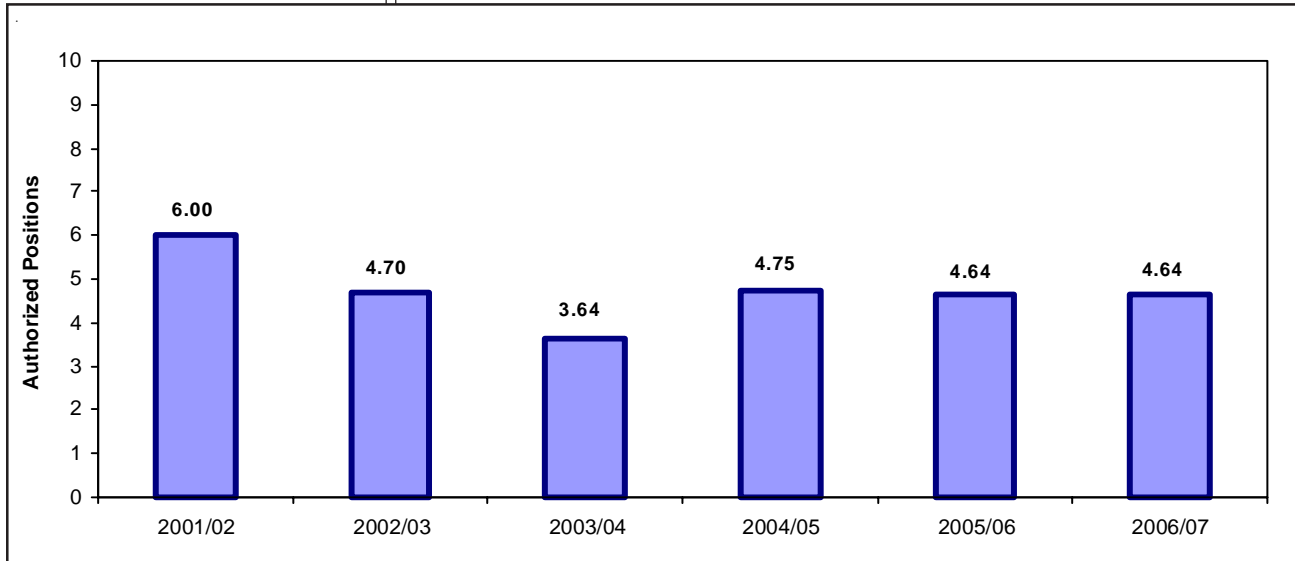
5.3%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$967,368, an increase of \$48,292 (or 5.3%) over the FY 2005/06 adopted budget. Most of the increase is attributable to employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. Additionally, the department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation and general liability costs.

Economic Development Historical Authorized Staffing**Staffing by Function**

FY 2006/07

4.64 Permanent Full-Time Equivalents

Economic Development

Economic Development Director 0.64*
 Economic Development Manager 1.0
 Economic Development Coordinator 1.0
 Communications Coordinator 1.0
 Executive Assistant 1.0

The Retail Development Manager position is not shown above because it is filled through a contract.

**The balance of this position is budgeted in the Office of Housing & Redevelopment.*

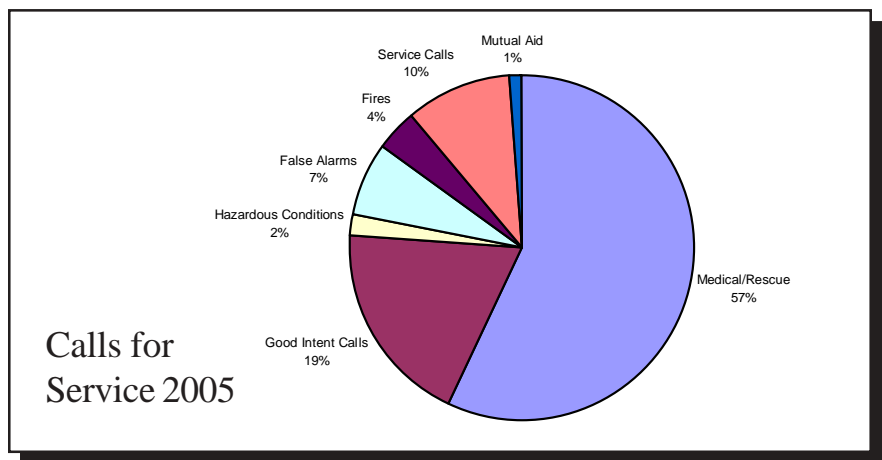
Fire



Mission: To prevent and minimize the loss of life and property threatened by the hazards of fire, medical and rescue emergencies, hazardous materials incidents, and disaster situations within the community.

Description of Responsibilities and Services

The Fire Department is responsible for providing the rapid delivery of fire, medical, rescue, and life safety emergency services within Fremont. Emergency services are delivered through twelve in-service fire companies from ten strategically located fire stations in the City with the primary goals of reducing casualties and the loss of life, improving patient outcomes, reducing property loss and damage, effecting successful extrications of trapped victims, and protecting the environment from the effects of a hazardous materials release. In 2005, the Fire Department responded to 13,955 calls for service, an increase of 729 calls (5.5 percent) over the previous year. These calls generated 16,465 engine and truck company runs.



The Fire Department also provides the following programs and services that are nationally recognized for their excellence: an innovative and cutting-edge paramedic program; community disaster preparedness training through its Community Emergency Response Team (CERT) program; one of a handful of State-certified rescue teams at the "heavy" level; fire and life safety code inspection services in nearly 6,000 businesses; hazardous materials management services for over 1,000 facilities; Urban Search and Rescue (USAR) services with California Task Force 4; and one of 124 Metropolitan Medical Response System (MMRS) cities nationwide with enhanced terrorism response plans and capabilities. Departmental efforts to involve the community in its activities include maintaining its relationship with the Fremont Citizens Corps Council (CCC) and conducting two town hall meetings each year.

Fire
Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
Operations/Emergency Medical Service	\$ 17,016,216	\$ 19,296,990	\$ 21,268,912	\$ 21,421,134	\$ 21,343,810
Administration	4,477,489	4,382,775	3,759,163	3,927,017	3,888,391
Prevention	1,207,063	1,260,163	1,258,185	1,686,624	1,576,323
Disaster Preparedness	493,386	429,241	413,920	343,531	333,569
Total Fire	\$ 23,194,154	\$ 25,369,169	\$ 26,700,180	\$ 27,378,306	\$ 27,142,093

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

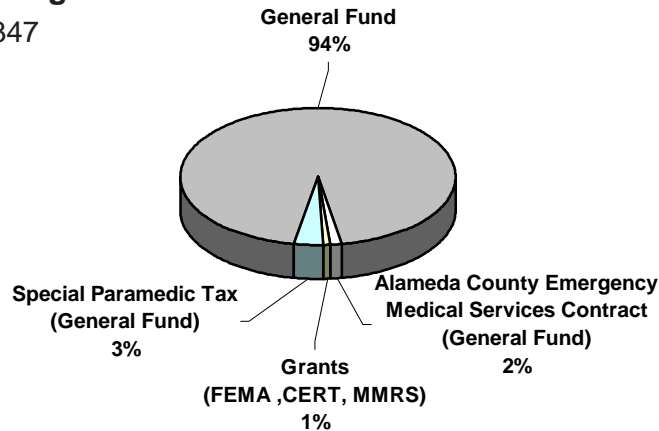
Service Objectives

1. Continue to implement the Fire Bond (Measure R) projects, including site acquisition for Station 2; completion of construction on Stations 1, 3, 6 and 8; and continuation of construction planning for the Training Center.
2. Deliver plans and training to ensure that the Fire Department and other City staff are prepared to respond to terrorist and all-hazard disaster events.
3. Implement a plan to replace four Fire Department engines, one aerial ladder truck, and four Fire Department command vehicles.
4. Complete all planned fire company inspections (approximately 1,000 per year), 800 fire and life safety inspections, and approximately 600 hazardous materials inspections (includes 100 percent of high-risk and underground storage tank facilities and 30 percent or more of the remaining hazmat facilities). This schedule ensures that all facilities are inspected on a 12-36 month cycle.
5. Communicate the department's Strategic Plan throughout the organization and to the community and begin annual performance tracking using a standardized report.
6. Participate at the local and state level on committees that enhance the City's interests (e.g., Homeland Security), strengthen the City's voice in legislative matters, and improve the delivery of public safety services.
7. Provide enhanced leadership training and education for the battalion chief, captain and engineer positions.
8. Provide each employee with a minimum of 240 hours of manipulative and classroom training to enhance job performance and safety in compliance with state and federal regulations.
9. Create a career development guide to provide employees with specific details of roles and responsibilities for each job class and to identify necessary qualities and expected skill requirements for advancement.

10. Utilize the Quality Improvement (QI) Committee to evaluate the strengths and weaknesses of the department's Emergency Medical Services to improve service delivery under the First Responders Advanced Life Support (FRALS) agreement.
11. Fulfill new FY 2005/06 Department of Homeland Security (DHS) grant requirements for terrorism preparedness and National Incident Management System (NIMS) compliance.
12. Conduct three twenty-hour Community Emergency Response Team (CERT) courses and six Personal Emergency Preparedness (PEP) courses for the community, including two citywide disaster exercises.
13. Implement the new Fire Department computer-aided dispatch (CAD) system and complete field installation of mobile data computers (MDC).
14. Integrate components of the Records Management System (RMS) modules fully to improve outcome reporting, to share data with external Fire and Emergency Medical Services (EMS) agencies, and to track trends to provide more effective feedback to employees and City staff on Fire Department activities.
15. Develop and evaluate EMS performance indicators to ensure all employees are adhering to State, County, and City policy; to benchmark compliance to patient care standards; to adhere to documentation protocols; and to identify training opportunities.
16. Assess needs and enhance opportunities for providing an advanced automated external defibrillator (AED) program in City buildings, and train the Fire Department in CPR and use of AEDs.
17. Screen approximately 500 new business tax applications to determine their eligibility for the business inspection program, enroll eligible businesses, and recruit 45-60 of those new businesses into fire prevention programs.
18. Improve customer service through the use of pre-inspection safety surveys mailed to business and mercantile occupancies 90 days prior to their scheduled inspection. Conduct a field audit to validate City records and ensure that all occupancies receive a scheduled inspection.
19. Upgrade the Fire Prevention website to provide clarity for business and citizens seeking fire safety information or project development guidelines.

Fire Sources of Funding

FY 2006/07: \$ 28,064,347

**Fire
Historical Expenditures/Budget, by Category**

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 19,740,120	\$ 21,159,654	\$ 23,297,684	\$ 23,667,079	\$ 23,614,027	\$ 24,352,783
Operating Expenditures	1,007,173	1,236,990	1,310,931	1,570,324	1,474,491	1,438,575
Capital Expenditures	459,637	269,157	224,297	273,635	186,307	212,356
Indirect Expense Allocation**	1,987,224	2,703,368	1,867,268	1,867,268	1,867,268	2,060,633
Totals	\$ 23,194,154	\$ 25,369,169	\$ 26,700,180	\$ 27,378,306	\$ 27,142,093	\$ 28,064,347

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

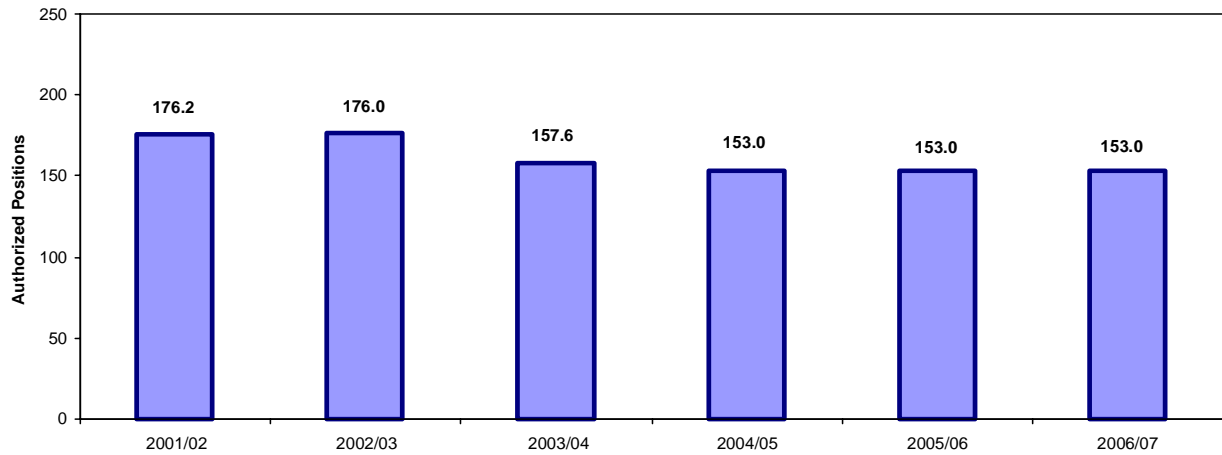
3.4%

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** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$28,064,347, an increase of \$922,254 (or 3.4%) over the FY 2005/06 adopted budget. Most of the increase is attributable to employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. Additionally, the department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation and general liability costs.

Fire Department Historical Authorized Staffing**Fire****Staffing by Function**

FY 2006/07

153.0 Permanent Full-Time Equivalents

Fire Chief's Office

Fire Chief 1.0
 Division Chief 2.0
 Fire Captain 1.0

Operations

Division Chief 1.0
 Battalion Chief 6.0
 Fire Captain 38.0
 Fire Engineer 37.0
 Firefighter 47.0

Fire Prevention

Division Chief 1.0
 Hazmat Program Manager 1.0
 Fire Captain 1.0
 Management Analyst II 1.0
 Hazmat Technician 3.0
 Code Enforcement Officer 2.0

Emergency Medical Services/Training

Division Chief 1.0
 Nurse Educator 1.0
 Fire Captain 2.0

Administration / Personnel

Business Manager 1.0
 Senior Executive Assistant 1.0
 Senior Accounting Specialist 1.0
 Senior Office Specialist 2.0
 Office Specialist I, II 2.0

Housing & Redevelopment



Mission: To foster economic growth through revitalization of commercial corridors, preservation of historic integrity, and construction of infrastructure improvements in the Centerville, Irvington, Niles and Industrial Project Areas, and to promote the development of quality, affordable housing.

Description of Responsibilities and Services

The department is dedicated to building community stability over the long term through investing in key mixed-use development projects, which serve as economic catalysts for revitalizing the project areas, strengthening neighborhoods by supporting quality housing developments and programs, and increasing the supply of affordable housing throughout the City. The Agency's adopted Five-Year Implementation Plan focuses department efforts on: stimulating investment in Centerville, Irvington and Niles Project Areas; facilitating major infrastructure construction in the Industrial Project Area; and improving, preserving and supporting the development of quality affordable housing.

Housing & Redevelopment
Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
Non Housing Redevelopment	\$ 35,676,051	\$ 27,537,018	\$ 36,815,293	\$ 58,566,168	\$ 58,506,971
Affordable Housing	8,101,110	16,689,897	17,152,510	18,339,807	18,327,781
Total Housing & Redevelopment	\$ 43,777,161	\$ 44,226,915	\$ 53,967,803	\$ 76,905,975	\$ 76,834,752

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.



Service Objectives

1. Initiate one key project in each redevelopment project area that responds to community interests and stimulates economic revitalization.
2. Partner with the Economic Development Department to implement a business attraction strategy in all redevelopment project areas.
3. Increase participation in the Façade Improvement Grant and Commercial Rehabilitation Loan Programs to provide greater incentives for private investment.
4. Create affordable housing (rental and homeownership) opportunities by initiating a major housing development project.
5. Begin construction of the Niles Town Plaza project.
6. Establish a Niles area assessment district to replace the existing parking district and to pay for maintenance of the proposed Town Plaza parking facilities and related capital improvements.

7. Begin construction at the Centerville Unified Site pursuant to the Disposition and Development Agreement.
8. Enter into an agreement for disposition and development of a housing project at the site located at Central Avenue and Fremont Blvd (formerly Haller's Pharmacy).
9. Initiate a project to implement the Irvington District Concept Plan.
10. Complete construction plans for the Bay Street Streetscape Project.
11. Identify and implement a long-term Agency funding strategy.

Project Appropriations Plan

Within the summary are appropriations for redevelopment and affordable housing projects for FY 2006/07 of \$51,688,806 and \$10,910,000, respectively. The Project Appropriations Plan below lists projects for which the Redevelopment Agency is requesting new appropriations. It is not a complete list of all previously funded Agency projects, and some previously funded projects, such as the I-880/Mission Boulevard Interchange: Phase 1A, and the Centerville Unified Site, may still be underway. The Project Appropriations Plan shows funding estimates for five years; however, the Agency Board only approves the appropriations shown in the new budget year, FY 2006/07 (shaded column). The Plan serves much the same purpose for the Redevelopment Agency as the Capital Improvement Program (CIP) serves for the City.

Redevelopment Project Appropriations Plan (Thousands of Dollars)

This list includes only projects for which new appropriations are being requested. It is not a comprehensive list of all Redevelopment projects.

NON - HOUSING FUNDS	Total Estimated Appropriation 6/30/2006	Spent	Projected Appropriation Request FY 06/07 - 10/11							Total Projected Agency Allocation
			06/07	07/08	08/09	09/10	10/11	Subtotal		
Irvington										
8 Bay Street Streetscape & Public Parking	3,300	239	1,250	750	-	-	-	2,000	5,300	
Niles										
20 Quarry Lakes/Niles Beach	3,816	3,816	83	-	-	-	-	83	3,899	
23 Streetscape Improvements: I & J Street	-	-	200	-	-	-	-	200	200	
24 Niles Historic Alleys	-	-	50	-	-	-	-	50	50	
All RDA Areas										
Commercial Rehabilitation Loan and Façade										
25 Improvement Grant Program	2,788	1,556	50	650	-	-	-	700	3,488	
30 Development Opportunities/Visioning	200	95	340	-	-	-	-	340	540	
TOTAL NON - HOUSING	\$ 10,104	\$ 5,706	\$ 1,973	\$ 1,400	\$ -	\$ -	\$ -	\$ 3,373	\$ 13,477	
HOUSING FUNDS										
1 First Time Homebuyers	n/a	n/a	1,200	600	600	500	500	3,400	3,400	
2 Single Family Home Rehabilitation	n/a	n/a	400	400	400	400	300	1,900	1,900	
3 Preservation of Affordable Housing	n/a	n/a	300	300	300	200	200	1,300	1,300	
4 Revolving Loan Fund (HELP Loans)			1,500	-	-	-	-	1,500	1,500	
5 Opportunity Fund/Contingency	n/a	n/a	3,250	3,000	2,000	1,500	1,000	10,750	10,750	
TOTAL HOUSING	n/a	n/a	\$ 6,650	\$ 4,300	\$ 3,300	\$ 2,600	\$ 2,000	\$ 18,850	\$ 18,850	

Non-Housing

This year's Project Appropriations Plan includes \$1.97 million of new, non-housing project appropriations. The Agency does not anticipate new appropriations for regional transportation projects and intends to invest the entire amount of FY 2006/07 non-housing appropriations in historic project areas of Centerville, Irvington, and Niles. Additionally, the Agency plans to re-activate two projects with previously allocated funding (Monument Center and Signage and Streetscape Improvements), which were suspended in FY 2003/04 when redevelopment agencies across the State were anticipating severe budget cuts as a result of significant State takeaways.

Housing

The Housing portion of the Project Appropriations Plan includes expenditures for affordable housing that are funded in part by \$16.5 million in housing bonds issued by the Agency in June 2003. This year's Project Appropriations Plan includes \$6.65 million of new appropriations. Of this, \$1.9 million would be committed to various programs and projects (i.e. First Time Homebuyer Program, Home Improvement Program, etc.), \$1.5 million would be deposited into a revolving loan fund for supporting affordable housing developments (including homeownership and apartment acquisition/rehabilitation), and \$3.25 million would be set aside in the Opportunity Fund/Contingency in anticipation of the creation of new affordable housing development projects(s).

Redevelopment Agency Project Highlights

The Agency's established order of funding priorities is debt service, regional transportation projects, strategic investments in the historic districts, and affordable housing. The Project Appropriations Plan and work program were developed in alignment with the Agency's adopted Five-Year Implementation Program for the period of July 1, 2003 - June 30, 2008. The Five-Year Implementation Program calls for investments in programs that: support performance of businesses in the project areas, enhance the appearance and function of private properties in project areas, invest in public infrastructure, and eliminate blight. A brief summary of the work program follows:

Regional Transportation

The construction of the Washington Grade Separation project is expected to begin in FY 2006/07 and its completion is anticipated within three years. This project will facilitate traffic flow through the Irvington Redevelopment Area currently impeded by train passage, facilitate the extension of BART to Warm Springs, and support the revitalization of the commercial and retail Irvington district.

Strategic Investments in the Historic Districts

Centerville: The Redevelopment Agency has assembled and intends to develop the six-acre Unified Site as a mixed-use, retail and residential project. The Agency has appropriated nearly \$16.9 million to assemble, remediate, and pay for public improvements associated with the site. The developer is expected to begin construction in Summer 2006.

The widening of Central Avenue to Dusterberry, the undergrounding of utilities, and the acquisition of the requisite project public utility easements will begin in FY 2006/07. Additionally, a number of missing sidewalks will be installed and circulation improvements will be completed in various Centerville locations, using previously allocated funding.

Irvington: The main focus of redevelopment activities in Irvington will be on finalizing Bay Street Streetscape plans, which is expected in 2006. The project is anticipated to commence construction in FY 2007/08 and the new appropriations of \$2,000,000 (\$1,250,000 for this year and \$750,000 in FY 2007/08) will be necessary for completing this effort.

Staff also intends to re-activate the Monument Center project, which was suspended in FY 2003/04 in light of severe potential budget cuts aimed at mitigating the State's budget crisis. The intention is to determine feasibility and negotiate towards the development of a mixed-use project with ground floor retail/office use and residential units above. Throughout FY 2006/07, staff will also be pursuing small projects targeted at supporting Irvington Concept Plan Implementation as opportunities arise.

Niles: The former Union Pacific (UP) property, now owned by the Redevelopment Agency, remains the focal point of redevelopment efforts in the Niles Project Area. Approximately \$5 million has been previously appropriated for the acquisition and environmental testing of the 5.25-acre former UP site and for its ultimate design and development as a town plaza located in the heart of the historic commercial district. In FY 2006/07, staff will focus on obtaining all required State approvals for environmental remediation and on performing the remediation work.

To further improve the district, a new appropriation of \$200,000 is requested to complete streetscape improvements on I and J Streets. Additionally, an allocation of \$50,000 will be necessary to begin work on resolving longstanding issues of use and design associated with the historic alleys. Ultimately, the intent is to develop a strategy for the alley use and improvement.

Utilizing previously allocated funding, a study identifying a permanent pedestrian connection between the Niles Canyon railway platform and the Niles commercial core will be completed. Staff will also explore options for enhancing existing gateway signage in the district using previously appropriated funds.

All Redevelopment Area Historic Districts

The Façade Improvement Program, launched in FY 2004/05, shows an appropriation of \$50,000, which will be used to fund improvements specifically targeted at the Bay Street commercial district. Staff will also continue working with eligible property owners on the Commercial Rehabilitation Loan Program, which was revised and reactivated in FY 2004/05. Previously allocated funding will be utilized for these efforts.

An additional appropriation of \$340,000 will be allocated for Development Opportunities/Visioning across all historic districts. This new funding allocation will provide for investigating new development opportunities to enhance the project areas. Specifically, in Centerville, staff will explore options for improvements on properties in the vicinity of the Bill Ball Plaza and assess opportunities for reuse of the soon-to-be abandoned Fire Station 6 on Fremont Blvd. In Irvington, assessment of current conditions and site constraints on Main Street will be completed in conjunction with an evaluation of potential options for future development consistent with the Irvington Concept Plan. In Niles, staff will be working with the property owner, Henkel, on the environmental clean-up and redevelopment of their six-acre, vacant industrial site at the southerly gateway to the Niles Project Area. Also in Niles, Agency expects to issue an RFP/RFQ to solicit developer interest for master planning the remainder of the former Union Pacific property and adjacent City-owned parking lots. It is anticipated that a mixed-use development fronting Niles Boulevard with expanded commercial district parking at rear will be the result.

Staff also intends to re-activate a Signage and Streetscape Improvements project, which was suspended in FY 2003/04 in anticipation of significant budget cuts. Previously allocated funding of \$600,000 will be used for signage/streetscape improvements at key locations (i.e., gateway treatments) in historic districts, with approximately \$200,000 devoted to each project area.

Affordable Housing

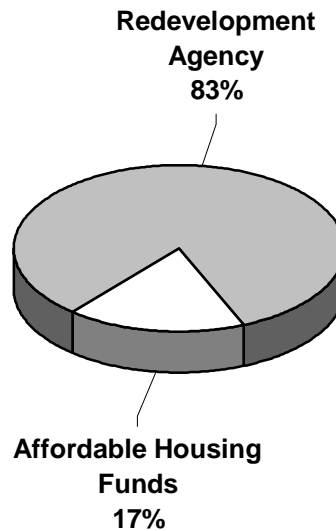
The Redevelopment Agency adopted an Affordable Housing Investment Strategy on June 25, 2002, providing direction to staff to pursue new affordable housing development in the community. The Investment Strategy and the Five-Year Implementation Program adopted in 2003 also call for a continued investment in the First Time Homebuyer Program (with an appropriation of \$ 3.4 million over the next five years); the Apartment Acquisition and Rehabilitation Program (with an appropriation of \$1.5 million in the Revolving Loan Fund for FY 2006/07); the Home Improvement Loan Program (with an appropriation of \$1.9 million over the next five years); and for preservation of existing affordable housing (with an appropriation of \$1.3 million over the next five years). Additionally, for FY 2006/07, \$3.25 million is earmarked in the Opportunity Fund/Contingency for pursuing a new housing development project that would create affordable housing opportunities in Fremont

Funding Sources and Resource Uses

Redevelopment programs and projects do not use General Fund resources. The Agency receives funding from its share of property taxes on the incremental increases in assessed valuation of properties located within the boundaries of the redevelopment project areas. Under the California Redevelopment Law, 20% of the tax increment revenues must be set-aside in a separate fund for affordable housing development. The Agency also receives grant funds from Alameda County (HOME funds), the State (HELP Loan, Workforce Housing Grant) and federal sources (Community Development Block Grant) to supplement its emphasis on enhancing affordable housing opportunities in the project areas. The pie chart below shows the relative funding of general redevelopment activities as contrasted with affordable housing funds.

Housing & Redevelopment Sources of Funding

FY 2006/07: \$ 62,598,806



Housing & Redevelopment Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 1,375,591	\$ 1,511,509	\$ 1,789,877	\$ 1,889,022	\$ 1,866,815	\$ 1,816,534
Operating Expenditures	10,273,701	11,817,866	10,453,498	10,629,784	10,600,765	8,493,826
Capital Expenditures	31,738,197	30,526,574	41,306,695	63,969,436	63,949,436	51,856,806
Indirect Expense Allocation**	389,672	370,966	417,733	417,733	417,736	431,640
Totals	\$ 43,777,161	\$ 44,226,915	\$ 53,967,803	\$ 76,905,975	\$ 76,834,752	\$ 62,598,806

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

-18.5%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

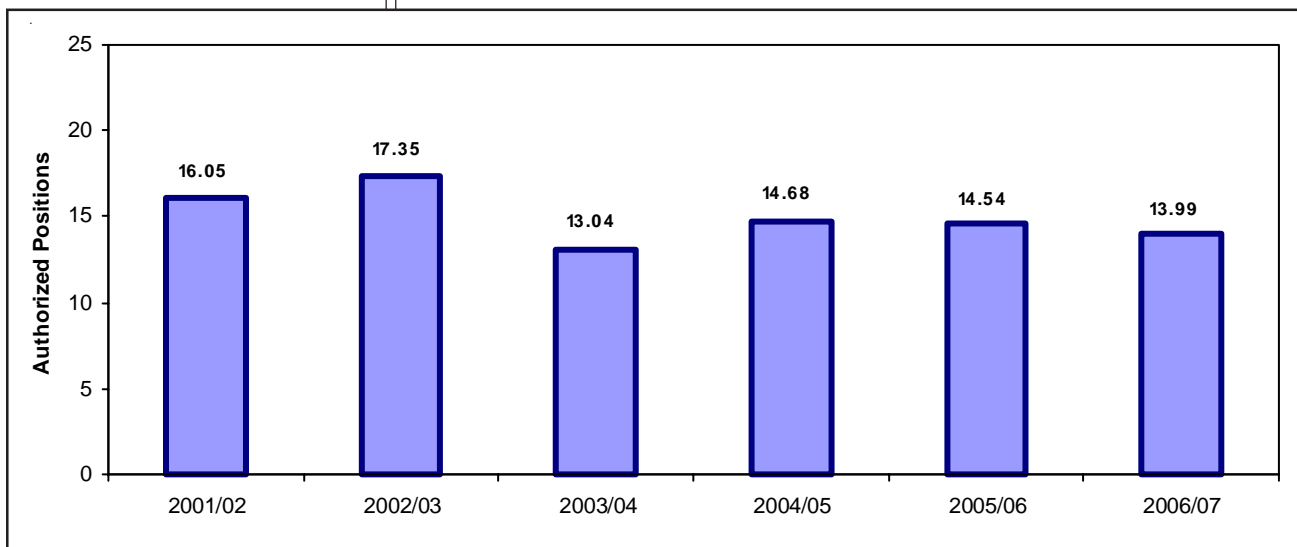
** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Budget Changes for FY 2006/07

The FY 2006/07 budget is \$62,598,806, which is \$14,235,946 (or 18.5%) less than the FY 2005/06 adjusted budget. Employee salaries and benefits costs are projected to increase for budgeting purposes. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. Because of a 0.55 decrease in FTE positions, however, the total budget for salaries and benefits is decreasing.

The budget for capital expenditures is significantly lower because several of the major affordable housing projects (e.g., Maple Street and Bridge Development) were completed in FY 2005/06. In addition, many of the non-housing projects (e.g., major transportation projects) are underway, so the funds spent in FY 2005/06 will not be budgeted again. Finally, operating expenditures are decreasing, primarily because the FY 2005/06 budget included a \$2.3 million payment to the State, which the FY 2006/07 budget does not require.

Redevelopment Historical Authorized Staffing



Staffing by Function

FY 2006/07

13.9925 Permanent Full-Time Equivalents

Housing & Redevelopment

Redevelopment

Redevelopment Agency Director 1.0
Economic Development Director 0.2125
Redevelopment & Housing Project
Manager 3.0
Business Manager 0.75
Executive Assistant 0.75
Accounting Specialist II 0.5
Office Specialist I 0.6
Community Development
Special Project Manager 0.375
Community Development Director 0.2

Affordable Housing

Redevelopment & Housing Project Mgr 2.0
Business Manager 0.25
Housing Programs Coordinator 1.0
Housing Counselor 1.0
Senior Office Specialist 1.0
Accounting Specialist II 0.5
Office Specialist I 0.4
Community Development Director 0.08
Community Development Special
Project Manager 0.125
Executive Assistant 0.25

Human Services

Mission: Human Services works to support a vibrant community through services that empower individuals, strengthen families, encourage self-sufficiency, enhance neighborhoods, and foster a high quality of life.

Description of Responsibilities and Services

Fremont's Human Services Department is nationally recognized for its innovative and effective programs. The Department offers services designed to help families become or remain self-sufficient.

The Department provides a continuum of services for seniors to help elders remain independent and in their own homes. Services for well seniors include a meal program, adult education, and health screening at the Senior Center. For frail seniors, the Department offers personalized service coordination including home visits, Senior Peer Counseling, and support services for caregivers, and operates an extensive local paratransit system. The Department is a national leader in municipal senior programs, as evidenced by its recent development of a community-driven Senior Action Plan, funded by the Robert Wood Johnson Foundation and developed in partnership with the Tri-City Elder Coalition.

Human Services also oversees the Fremont Family Resource Center (FRC), a partnership that co-locates more than 20 organizations (State, County, City, and nonprofit) for one-stop service access. The FRC is host to a Volunteer Income Tax Assistance program (VITA) and to various financial literacy services for low-income families, and integrated case management services for families facing multiple barriers to self-sufficiency. The FRC has worked for several years in the Cabrillo neighborhood to foster parent involvement in the schools and to build leadership and problem-solving capacity among residents.

The Department's Youth and Family Services Division provides counseling services to improve family relationships during times of stress or crisis with special emphasis on early delinquency intervention and prevention, school problems and truancy, and specialized mental health services for families with children less than five years of age. Activities include a variety of parent workshops and support groups. School-based services include individual and group counseling for students at more than half of the elementary schools in Fremont.

Human Services is responsible for administration of the City's social service and federal Community Development Block Grant (CDBG) funds, and provides technical assistance to agencies receiving grants. It is also staff to the Human Relations Commission, Senior Citizens Commission, Paratransit Advisory Committee, and the Community Development Block Grant Citizens Advisory Committee.



Human Services**Historical Expenditures/Budget, by Major Service Area**

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
Family Resource Center	\$ 1,329,159	\$ 1,563,616	\$ 1,726,527	\$ 1,836,813	\$ 1,813,240
Youth and Family Services	1,006,366	1,021,265	1,411,385	1,545,101	1,532,892
Aging and Family Services	1,492,489	1,675,184	1,768,585	1,919,451	1,917,395
CDBG/HOME/SHP	2,874,229	2,672,540	2,941,589	3,291,604	3,276,067
Paratransit	680,002	858,700	732,183	1,055,579	1,017,327
Administration	820,181	1,080,306	1,035,475	1,040,240	999,377
Social Services Grants	448,939	469,360	468,647	468,647	468,647
Total Human Services	\$ 8,651,365	\$ 9,340,971	\$ 10,084,391	\$ 11,157,435	\$ 11,024,945

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

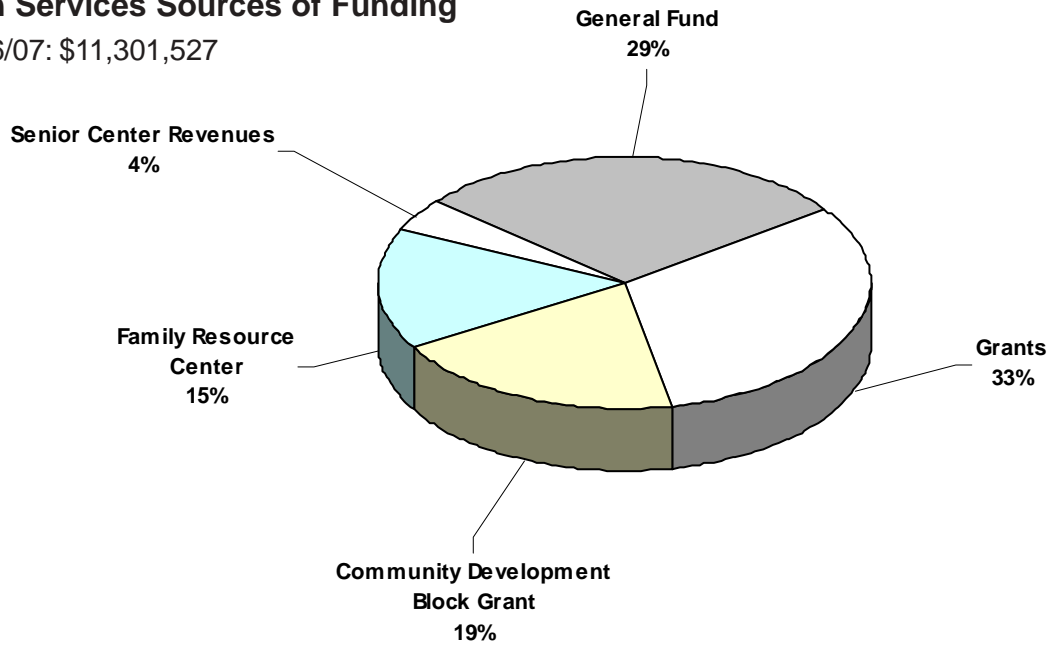
Service Objectives

1. Collaborate with Alameda County Behavioral Health to expand Southern Alameda County senior mental health services using new funding available from the Mental Health Services Act (Proposition 63).
2. Strengthen the service network for seniors by implementing the first of a four-year Senior Action Plan funded by the Robert Wood Johnson Foundation grant and other non-City General funds.
3. Redesign and expand Fremont Senior Center programming and class usage to meet the needs of "baby boomers" as they join the ranks of an increasing senior population.
4. Explore new opportunities to support youth, family and senior programs with new non-City revenue sources such as a major fundraising event and expansion of County Early Periodic Screening Diagnosis and Treatment (EPSDT) funding.
5. Expand senior and disabled adult transportation options using Measure B funds by providing 25,000 individual and group trips and by implementing a volunteer driver program.
6. Collaborate with the Tri-City Homeless Coalition and other partners to operate the Homeless Outreach for People Empowerment (HOPE) project that helps homeless people (including families) needing comprehensive services.

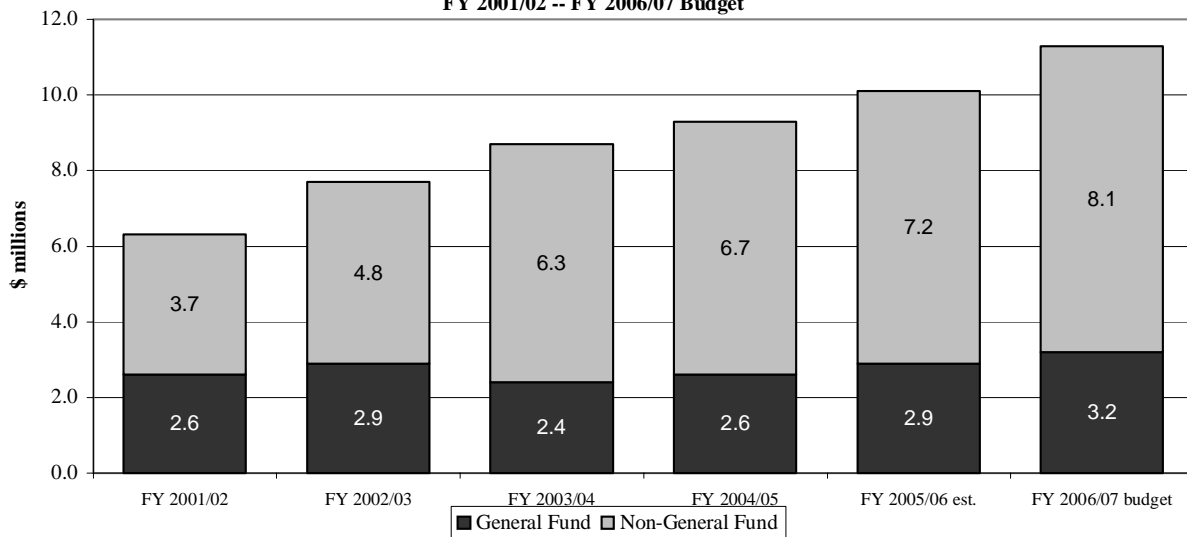
7. Organize the involvement of over 1,000 volunteers in the City's national Make-a-Difference Day activities sponsored by the Human Relations Commission.
8. Continue transition of full program responsibility for programs like the sports and mentoring programs, the after-school parent program, and Neighborhood Community Summit to Cabrillo neighborhood leaders.
9. Expand the Volunteer Income Tax Assistance (VITA) program to help 650-700 low-income families prepare tax returns and receive their refunds.
10. Complete and implement a new five-year strategic plan at the Family Resource Center.
11. Improve coordination with the Police Department, Alameda County Probation, and the Fremont Unified School District to increase mental health referrals and improve service outcomes for children through the Early Periodic Screening Diagnosis and Treatment program (EPSDT).
12. Increase access to EPSDT services by placing graduate student mental health counselor interns at Robertson High School.
13. Add mental health consultations for the FRC-Discovery Cove and the FUSD State-funded preschool program staffs to learn about the specialized multi-lingual mental health services offered through the innovative Infant-Toddler program.
14. Provide family-focused services to juvenile offenders and out-of-control youth through a contract with the Alameda County Probation Department.
15. Coordinate with the Police Department and the Fremont Unified School District and other service providers to reduce violence and gang related problems on school campuses.

Human Services Sources of Funding

FY 2006/07: \$11,301,527



Human Services Resources Increasing Reliance on Non-General Funds
FY 2001/02 -- FY 2006/07 Budget



Human Services
Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 3,767,701	\$ 4,200,640	\$ 4,745,722	\$ 5,083,765	\$ 5,037,447	\$ 5,488,430
Operating Expenditures	4,529,744	4,722,391	4,753,726	5,034,957	5,032,110	4,923,490
Capital Expenditures	50,504	55,404	12,096	503,778	503,778	357,848
Indirect Expense Allocation**	303,416	362,536	572,847	534,935	451,610	531,759
Totals	\$ 8,651,365	\$ 9,340,971	\$ 10,084,391	\$ 11,157,435	\$ 11,024,945	\$ 11,301,527

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

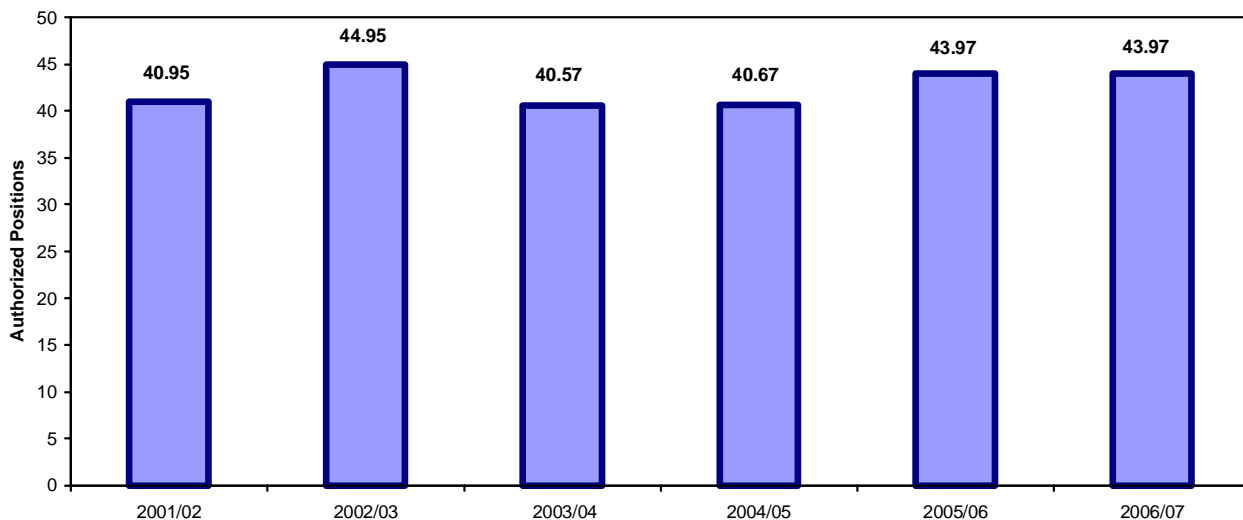
2.5%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$11,301,527, an increase of \$276,582 (or 2.5%) over the FY 2005/06 adopted budget. The increase is attributable to employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. The increase for salaries and benefits is partially offset by decreases in other expenditure categories. The decrease for operating expenditures is primarily due to a \$200,000 reduction in the City's Community Development Block Grant allocation from the Department of Housing and Urban Development. Capital expenditures are decreasing because the FY 2005/06 budget contained \$170,000 of grant funding for a new paratransit vehicle. The department's allocation of citywide indirect expenses is increasing as a result of the department's increased share of total City information systems costs, as well as rising workers' compensation and general liability costs.

Human Services Historical Authorized Staffing


Staffing by Function

FY 2006/07

43.97 Permanent Full-Time Equivalents

Human Services

Human Services Director 1.0
 Deputy Human Services Director 1.0
 Executive Assistant 1.0
 Office Specialist II 1.0

Youth and Family Services

Family Services Administrator 1.0
 Clinical Supervisor 1.0
 Senior Program Coordinator 1.0
 Counselor 5.97
 Administrative Assistant 1.0
 Senior Accounting Specialist 1.0
*Counseling Interns**

Family Resource Center

Family Resource Center Administrator 1.0
 Case Manager 2.2
 Clinical Supervisor 1.0
 Administrative Assistant 1.0
 Senior Office Specialist 1.0
 Community Engagement Specialist 1.0
 Counselor 1.0
*Public Service Assistants**

CDBG Services

CDBG Administrator 1.0
 Management Analyst II 1.0
 Senior Office Specialist 1.0

Senior Services

Family Services Administrator 1.0

Senior Supportive Services

Clinical Supervisor 1.0
 Case Manager 5.3
 Senior Program Coordinator 1.0
 Counselor 0.5
 Administrative Assistant 1.0
 Senior Office Specialist 1.0
*Outreach Worker**

Paratransit

Management Analyst II 1.0
 Senior Office Specialist 1.0
*Outreach Workers**

Senior Center

Senior Center Manager 1.0
 Program Coordinator 1.0
 Chef / Food Services Manager 1.0
 Senior Office Specialist 1.0
 Office Specialist II 1.0
*Public Service Assistants**

**Temporary positions not counted in full-time equivalents*

Parks & Recreation



Mission: To ensure the citizens of Fremont receive friendly, valued customer services through the management of recreation facilities, the provision of a broad spectrum of recreation programs, park planning services, and the maintenance of City parks.

Description of Responsibilities and Services

The Parks and Recreation Department provides leisure activities that enhance the lives of residents and participants. The department also manages public use of recreation facilities, oversees the park system, provides soft enforcement services through a small group of Park Rangers, and delivers park planning and maintenance services. The recreation functions, which are carried out primarily through the Recreation Cost Center operation, include performing and visual arts, youth and adult sports, teen and youth programs, early childhood enrichment programs, park visitors' services, and management of the community centers, special facilities, and historic sites. Staff provides support to the Recreation Commission and various other boards and commissions that advise the City Council. The department also carries out capital and park planning and development projects, implements the Parks and Recreation Master Plan, and maintains the City's parks.

Parks and Recreation Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimate Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
Recreation	\$ 5,905,049	\$ 5,520,633	\$ 6,160,526	\$ 6,160,526	\$ 6,159,046
Park Maintenance	4,247,665	4,081,894	4,755,649	4,999,285	4,886,259
Total Parks & Recreation	\$ 10,152,714	\$ 9,602,527	\$ 10,916,175	\$ 11,159,811	\$ 11,045,305

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

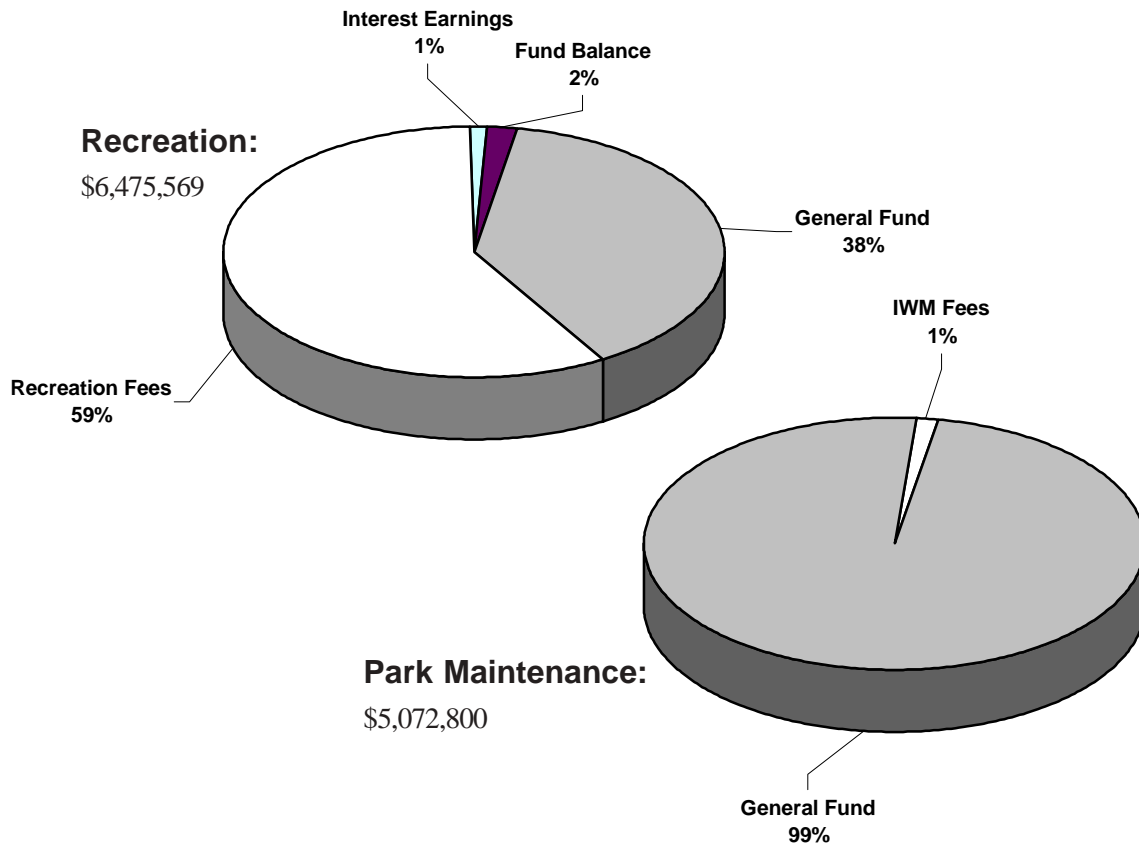
Service Objectives

1. Partner with the Engineering Division to oversee the design and construction of the Water Park in Central Park to have it ready for its grand opening in 2007.
2. Optimize scarce park maintenance resources by implementing new operating strategies and technologies.
3. Complete implementation of the new irrigation control system at Central Park to reduce maintenance staff time, water use, and costs.



Parks & Recreation Sources of Funding

FY 2006/07: \$ 11,548,369



Parks & Recreation Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 6,492,286	\$ 6,303,973	\$ 6,732,135	\$ 7,049,060	\$ 7,035,582	\$ 7,357,107
Operating Expenditures	2,115,399	1,762,479	2,057,100	2,016,314	1,923,909	2,136,628
Capital Expenditures	45,660	42,161	80,460	37,460	28,837	36,337
Indirect Expense Allocation**	1,499,369	1,493,914	2,046,480	2,056,977	2,056,977	2,018,297
Totals	\$ 10,152,714	\$ 9,602,527	\$ 10,916,175	\$ 11,159,811	\$ 11,045,305	\$ 11,548,369

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

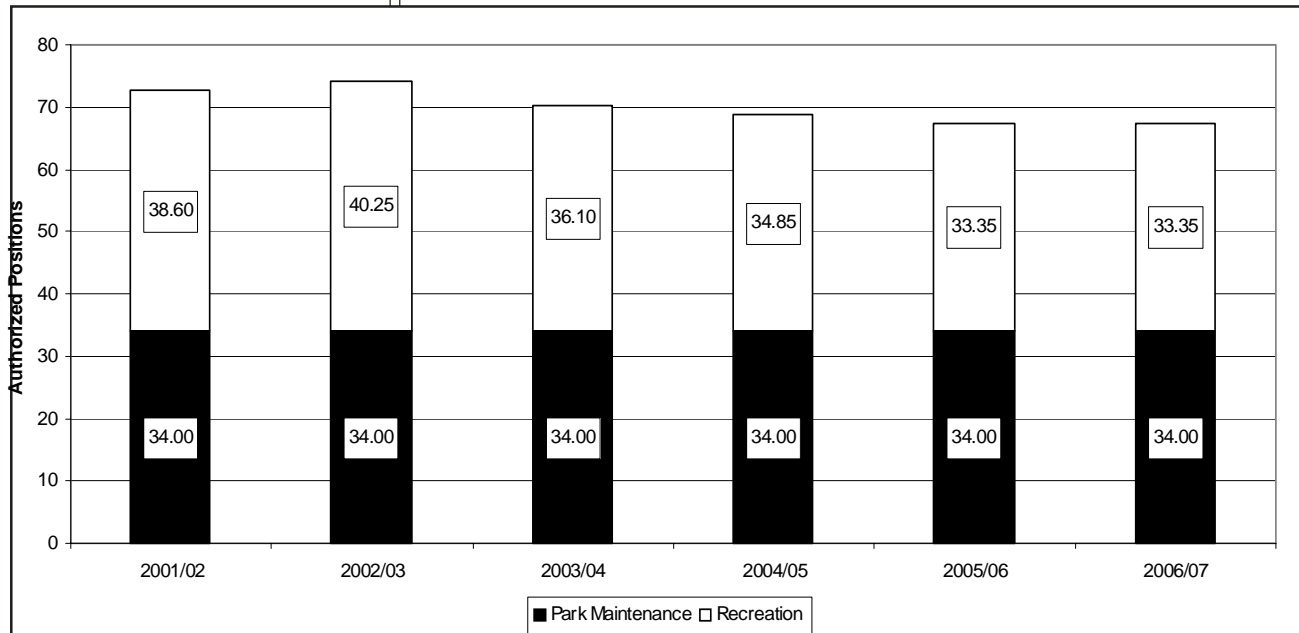
4.6%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$11,548,369, which is \$503,064 (or 4.6%) more than the FY 2005/06 adopted budget. Employee salaries and benefits costs are projected to increase for budgeting purposes. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units.

Parks & Recreation Historical Authorized Staffing

Staffing by Function

FY 2006/07

67.35 Permanent Full-
Time Equivalents**Parks & Recreation**

Parks & Recreation Director 1.0

Business Manager 1.0

Executive Assistant 0.5

Park Maintenance

Park Superintendent 1.0

Central Park

Park Field Supervisor 1.0

Park Maint. Worker II 3.0

Park Maint. Worker I 7.0

North End Parks

Park Field Supervisor 1.0

Park Maint. Worker II 2.0

Park Maint. Worker I 3.0

South End Parks

Park Field Supervisor 1.0

Park Maint. Worker II 3.0

Park Maint. Worker I 4.0

Construction/Irrigation

Park Field Supervisor 1.0

Construction

Park Maint. Worker II 1.0

Park Maint. Worker I 2.0

Irrigation

Park Maint. Worker II 1.0

Park Maint. Worker I 2.0

Park Equip. Mechanic 1.0

Recreation DivisionAdmin. & Support Services

Deputy Director of Recreation 1.0

Management Analyst II 1.0

Sr. Accounting Specialist 0.5

Office Specialist II 1.75

Accounting Specialist II 0.5

Park Planning & Development

Park Planning Manager 1.0

Park Visitor Services

Recreation Supervisor II 1.0

Park Ranger 4.75

Office Specialist II 1.0

Recreation Services

Recreation Supervisor II 5.0

Recreation Supervisor I 6.0

Tennis Operations Supervisor 1.0

Tiny Tot Specialist 2.6

Facility & Supply Specialist 1.0

Facility & Supply Worker 1.0

Sr. Accounting Specialist 0.5

Office Specialist II 1.25

Program Staff - approx. 240

Police



Mission: We, the members of the Fremont Police Department, are dedicated to providing ethical and professional services to meet the current and future needs of the diverse Fremont community. We are committed to developing the organization to meet current and future needs of a culturally diverse community. Our pledge is to work in partnership with members of our community to safeguard lives and property, preserve constitutional rights, and apprehend those who violate the law and rights of others. Our focus is to maintain peace and order, provide outstanding customer service, and promote a safe and healthy community.

Description of Responsibilities and Services



The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. In FY 2006/07, the Police

Department will continue to

have a heightened emphasis on homeland security. The major work units – Community Policing Patrol Team, Traffic Unit, Investigative Services, and Animal Services – are charged with carrying out the department's core responsibilities.



The Community Policing Patrol Teams Division has a key role as first responder to calls for police assistance. The division strives to maintain order, apprehend suspected law violators, and seek long-term solutions to some of the problems and issues important to the community.

The Traffic Unit investigates serious collisions and, when available, will enforce the vehicle code in an effort to proactively control the violations that result in collisions.



Investigation Services has the primary responsibility for investigations involving felony crimes such as homicide, robberies, sex crimes, child abuse, kidnapping, some burglaries, assault, and other criminal offenses. The unit actively investigates these crimes and coordinates resources involving in-depth, multi-jurisdictional investigations.

The Tri-City Animal Shelter is located in Fremont and, through agreements with Newark, Union City, and San Leandro, provides limited, high-quality services to animals and to the community. The Animal Shelter is responsible for animal-related calls for service, adoption outreach and support, vector control, a spay/neuter clinic, pet licensing, and rabies control.



The Police Department's core services are supported by several other work units, including: the Office of the Chief of Police, the Office of Professional Standards, which includes Press Information and the Terrorism Task Force, the Office of Business Services, the Police Communications Center, Forensic Services, the Property and Evidence Unit, the Records

Unit, the Police Personnel and Training Unit, the Fremont Detention Facility, Information Systems, and the Crime Watch Unit, which is charged with maintaining Neighborhood Watch and Business Watch crime prevention efforts.

Members of the Fremont Police Department actively participate in a limited number of regional task force groups, including the Joint Federal Terrorism Task Force, Southern Alameda County Narcotics Enforcement Team, Rapid Enforcement Allied Computer Team Task Force, and the Gang Violence Suppression Task Force.

The Crime Analysis Unit is responsible for the research and analysis of criminal activity in order to provide recommendations for responses to or the prevention of crime within the City. The unit is also responsible for preparing technical and analytical reports regarding crime trends in order to identify potential hotspots and provide recommendations for staffing allocation.

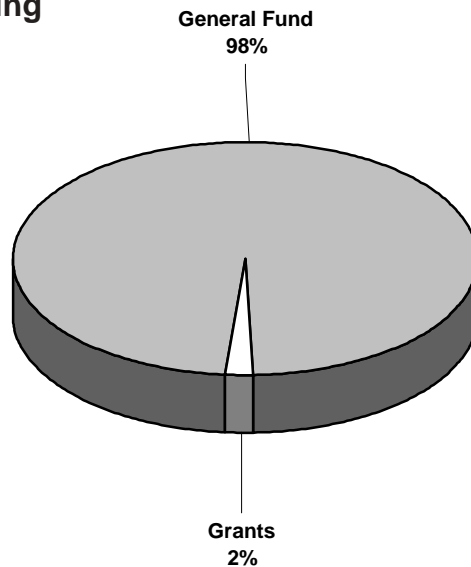
Service Objectives

1. Prioritize and provide basic police services at the highest level of effectiveness possible within the limited available resources.
2. Identify appropriate opportunities to use alternative police service delivery methods that incorporate on-line reporting technologies for specific types of costs for service.
3. Restore the traffic unit to full staffing in order to focus on enforcement and safety activities at the highest priority locations with the city.
4. Finish dispatch center upgrades made possible with State 9-1-1 funds, including furniture replacement and software systems.
5. Begin long term funding and technology planning for radio replacement needs to coordinate with local, state, and federal efforts towards interoperability.
6. Develop a five-year strategic plan for the department that considers a range of revenue scenarios.
7. Complete an assessment of staffing and equipment needs to plan for rebuilding the organization, should additional resources become available in the future.
8. Develop a staffing succession plan that emphasizes innovative recruitment and retention strategies to ensure future service continuity.

9. Conduct on-going leadership training for all managers and supervisors to prepare staff for future leadership positions in the organization.
10. Research, develop, and update technology to maximize organizational performance and enhance proactive law enforcement.
11. Develop and exercise contingency plans and protocols and identify regional resources to ensure operational integrity during unusual circumstances, including appropriate responses to a terrorist event or natural disaster.
12. Reinforce the importance of CERT (Community Emergency Response Team) at the block level by incorporating basic disaster preparedness information in the Neighborhood Crime Watch meetings.
13. Link the Crime Watch Unit website to the Police Department and City websites to improve community access to neighborhood-based involvement opportunities, crime prevention, and community information.
14. Strengthen National Night Out community and City staff participation by networking previous hosts to create new contacts, share ideas, and promote increased event support by City employees.
15. Promote National Night Out participation by assembling a community committee to coordinate an entry in the July 4th parade.
16. Participate in planning police firearms training facilities using the voter approved Fire Safety Bond fund proceeds.
17. Place the mobile animal adoption and animal spay/neuter vehicle into service to increase the number of shelter animal adoptions, and develop the policies and procedures to maximize its effectiveness.
18. Streamline the special event permit process.

Police Sources of Funding

FY 2006/07: \$ 49,668,046

**Police
Historical Expenditures/Budget, by Category**

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 32,007,995	\$ 36,658,849	\$ 39,727,094	\$ 40,080,289	\$ 39,849,594	\$ 40,822,967
Operating Expenditures	2,787,677	3,136,133	3,343,906	3,195,662	3,051,263	3,340,941
Capital Expenditures	127,596	117,975	184,050	89,394	119,470	127,900
Indirect Expense Allocation**	3,508,973	4,423,325	4,273,086	4,273,086	4,273,085	5,376,238
Totals	\$ 38,432,241	\$ 44,336,282	\$ 47,528,136	\$ 47,638,431	\$ 47,293,412	\$ 49,668,046

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

5.0%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

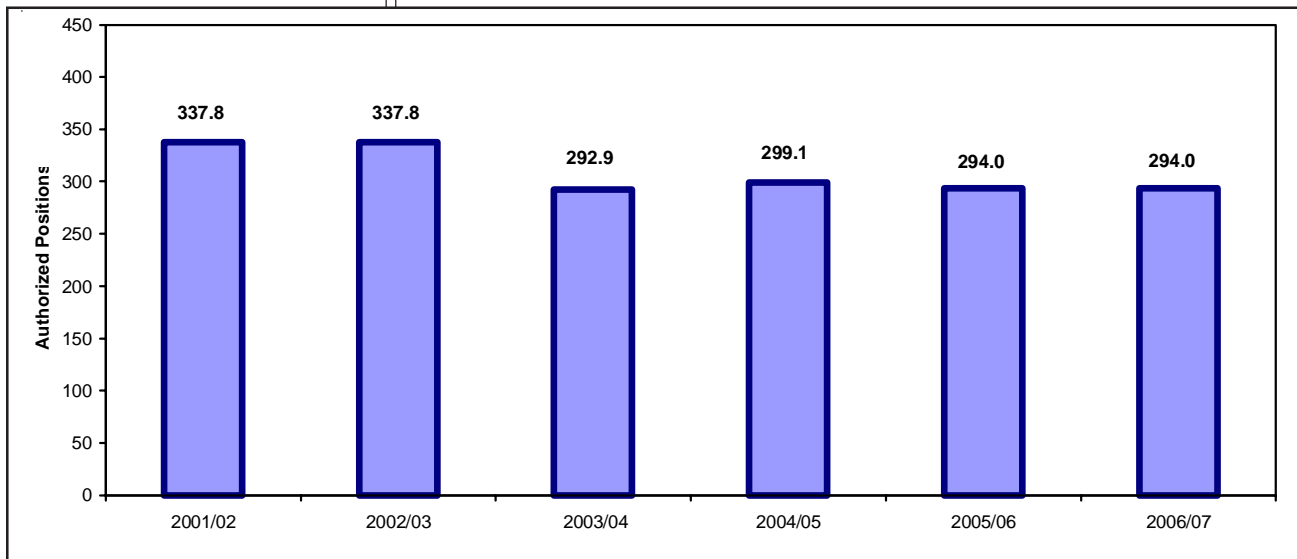
Major Changes for FY 2006/07

The FY 2006/07 budget is \$49,668,046, an increase of \$2,374,634 (or 5.0%) over the FY 2005/06 adopted budget. Most of the growth is attributable to a \$1.1 million increase in workers' compensation and general liability costs, which are included in the indirect expense allocation category. This increase is caused by a rise in the number of workers' compensation claims experienced by the department and citywide cost increases for general liability insurance.

The budget for employee salaries and benefits costs is also increasing. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units.

In addition to a CPI-related increase in the operating expenditure budget, this category includes an additional \$250,000 to expand the red-light traffic enforcement program. Costs associated with this investment in safety are to be covered by revenue from red-light violation fines, which are expected to provide a net revenue benefit to the General Fund. Finally, the capital expenditure category fluctuates annually depending on equipment purchase needs. For example, the FY 2005/06 estimated actual expenditures for this category are higher than other years because they include the purchase of a mobile animal spay/neuter clinic, a purchase made possible with community donations. With the exception of FY 2005/06, the FY 2006/07 budget for capital expenditures is relatively consistent with capital budget needs in recent years.

Police Historical Authorized Staffing



Police		Chief's Office	Staffing by Function FY 2006/07 294.0 Permanent Full-Time Equivalents
Business Services Business Manager 1.0 Accounting Technician 1.0 Senior Accounting Specialist 2.0 Senior Office Specialist 1.0 Community Service Officer 1.0 <i>Public Service Assistant 0.5*</i>	Police	Chief's Office Police Chief 1.0 Police Officer 2.0 Executive Assistant 1.0	
		Office of Professional Standards & Accountability Police Sergeant 2.0	
		Investigative Services Police Captain 1.0 Police Lieutenant 1.0 Police Sergeant 7.0 Police Officer ¹ 41.0 Community Engagement Specialist 2.0 Community Service Officer 3.0 Crime Analysis Manager 1.0 Crime Analyst 1.0 Detention Supervisor 4.0 Detention Technician 12.0 Traffic Project Manager 1.0 Management Analyst II 1.0 Administrative Assistant 1.0 Senior Office Specialist ² 1.0 Records Specialist 2.0 Office Specialist II 2.0 <i>Public Service Assistant 4.0*</i> <i>(Armory, Court Liaison)</i>	Administrative Support Services Police Captain 1.0 Police Lieutenant 1.0 Police Sergeant 3.0 Police Officer 1.0 Chief Forensic Specialist 1.0 Community Service Officer 1.0 Dispatch Supervisor 4.0 Dispatcher 19.0 Dispatch Technician 2.0 Property Technician 3.0 Animal Services Supervisor 1.0 Animal Services Officer 4.0 Systems Analyst/Programmer 1.0 Computer Specialist 2.0 Police Records Administrator 1.0 Administrative Assistant 1.0 Records Supervisor 3.0 Senior Office Specialist 2.0 Records Specialist 8.0 Office Specialist II 2.0 Records Assistant 3.0 <i>Police Aide/Public Service Assistant PT Police Officer 30*</i> <i>(Records, Animal Services, Personnel)</i>
		Community Policing Patrol Teams Police Captain 1.0 Police Lieutenant 4.0 Police Sergeant 18.0 Police Officer 104.0 Community Service Officer 9.0 Administrative Assistant 1.0 <i>Public Service Assistant 18.0*</i> <i>(Equipment Room)</i>	

**Italics indicate temporary part-time*

¹Six School Resource Officers funded 50:50 by Fremont Unified School District and City of Fremont.

²Senior Office Specialist assigned to SACNET, Narcotic Task Force

Transportation and Operations



Mission: To enhance the community by providing quality public services such as maintenance of the City's infrastructure, an efficient transportation system, and responsible environmental programs.

Description of Responsibilities and Services

The Transportation and Operations Department provides traffic engineering, maintenance, and environmental services. The Department's Traffic Engineering Division is responsible for maintaining and enhancing traffic flow and managing a safe street system through coordination with regional and state transportation organizations, traffic studies, street improvements, and an effective traffic signal system. The Maintenance Division maintains City-owned infrastructure by providing both proactive and reactive maintenance that enhances capital preservation, maintains and improves safety, and (whenever practical) provides aesthetic enhancements. These functions are carried out through the maintenance of city streets, medians, trees, public buildings, and vehicles. The Environmental Services Division is responsible for environmentally sound and cost-effective methods for the disposal of garbage, recovery of recyclables, waste prevention and the flow of clean storm water into streams and the bay.

Transportation & Operations Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
Environmental Services	3,448,110	4,928,008	6,562,230	8,359,006	6,414,776
Streets, Medians & Urban Forestry	7,047,110	7,589,645	7,962,236	8,303,440	8,262,738
Public Buildings	5,237,204	5,410,250	5,749,222	6,639,169	6,260,525
Fleet Maintenance	2,252,828	2,599,509	2,427,268	2,551,752	2,537,920
Transportation Engineering					
Maintenance Administration	\$ 1,686,348	\$ 1,777,662	\$ 1,529,354	\$ 1,808,502	\$ 1,800,751
Total Transportation & Operations	\$ 19,671,600	\$ 22,305,074	\$ 24,230,310	\$ 27,661,869	\$ 25,276,710

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

Note: Prior to FY 2006/07, the budget for Transportation Engineering was displayed as part of the "Engineering" budget in the Community Development Department.



Service Objectives

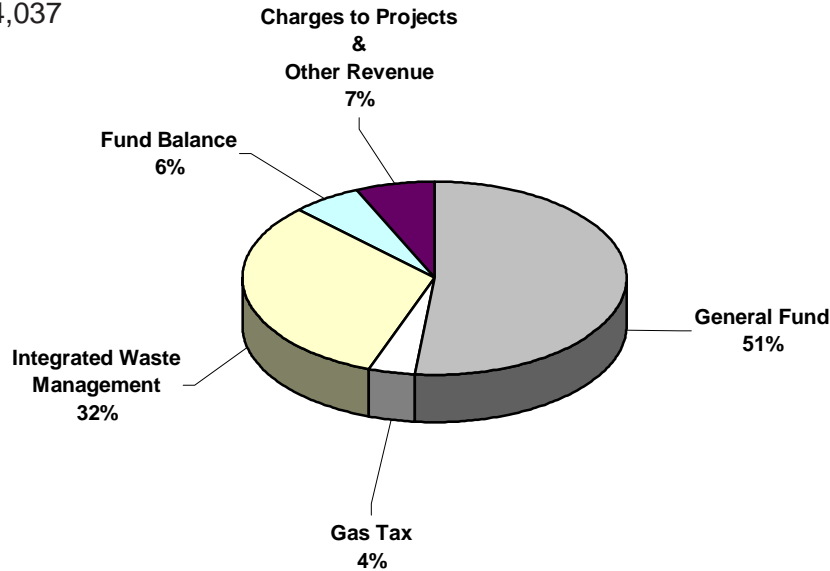
1. Survey the condition of all signs in the public rights-of-way to enhance planning for improvements to the proactive sign maintenance program.
2. Continue survey the condition of all City sidewalks to improve long-term sidewalk maintenance program budgeting.
3. Improve the median and back-up lot maintenance program by completing an inventory using GIS data and the Maintenance Management System.
4. Continue systematically replacing high-maintenance median and back-up lot landscaping with low maintenance, drought-tolerant material to reduce long-term labor and maintenance costs.

5. Increase median irrigation system efficiency and effectiveness by inventorying the existing system and preparing a plan to replace antiquated or non-functioning systems.
6. Continue upgrading existing fire alarm equipment in City facilities to increase system reliability and save maintenance costs.
7. Improve public building maintenance by creating an intranet website to receive customer requests and provide information on services, and maintenance activities.
8. Update facility condition survey for development of the 2007/08 Capital Improvement program.
9. Improve public buildings in-house parts warehouse/distribution services after studying various alternatives.
10. Relocate the compressed natural gas station to City Hall to create a central location for fueling, thereby reducing travel time, personnel costs, and equipment costs.
11. Develop a plan to retrofit or replace diesel vehicles and equipment in a cost effective manner, in order to meet California Air Resources Board (CARB) requirements regarding the reduction of diesel particulate matter in public fleets.
12. Develop a household hazardous waste program to provide a convenient way for Fremont residents to dispose of household hazardous waste in an environmentally responsible manner.
13. Develop an employee outreach program to encourage environmentally preferable City purchasing practices.
14. Identify restoration and funding opportunities for the Sabercat Creek area to enhance its recreational and educational potential.
15. Develop a surveillance program to identify and reduce illegal dumping.
16. Develop a Pedestrian Master Plan that will guide the City's capital investment in improvements that will enhance pedestrian safety and circulation.
17. Update the transportation element of the City's General Plan, which includes updating the citywide travel demand model.
18. Update the Traffic Impact Fee element as part of the comprehensive update of the Development Impact Fee.
19. Partner with regional transportation agencies to ensure Fremont's interests are considered relative to the expansion of regional transportation services, award the contract for the final construction of for the Washington Boulevard/Paseo Padre Parkway grade separation project.

20. Continue a program of proactive traffic signal timing to improve signal coordination leading to overall improved air quality by reducing vehicle travel delay, stops, and fuel consumption.
21. Provide enhanced traveler information to the public through dissemination of live traffic video feed via the City's web site.
22. Support the expansion of the City's Photo Red Light Enforcement Program to include additional enforcement locations.

Transportation & Operations Sources of Funding

FY 2006/07: \$ 30,124,037



Transportation & Operations Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 8,451,434	\$ 8,896,675	\$ 8,696,207	\$ 10,352,148	\$ 10,314,748	\$ 12,133,718
Operating Expenditures	8,074,674	9,607,989	11,762,145	13,313,470	10,974,216	13,393,027
Capital Expenditures	59,618	123,448	81,689	56,505	48,000	60,000
Indirect Expense Allocation**	3,085,874	3,676,962	3,690,269	3,939,746	3,939,746	4,537,292
Totals	\$ 19,671,600	\$ 22,305,074	\$ 24,230,310	\$ 27,661,869	\$ 25,276,710	\$ 30,124,037

Note: Organizational restructuring for FY 2006/07 resulted in displaying the budget for the transportation engineering function (\$1.8 million in FY 2006/07) in this department. This change may distort comparisons with previous years, as these costs were shown in other departments prior to FY 2006/07.

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The Transportation and Operations Department is a product of an organizational restructuring intended to more effectively advance development and infrastructure goals. The Department is comprised of all

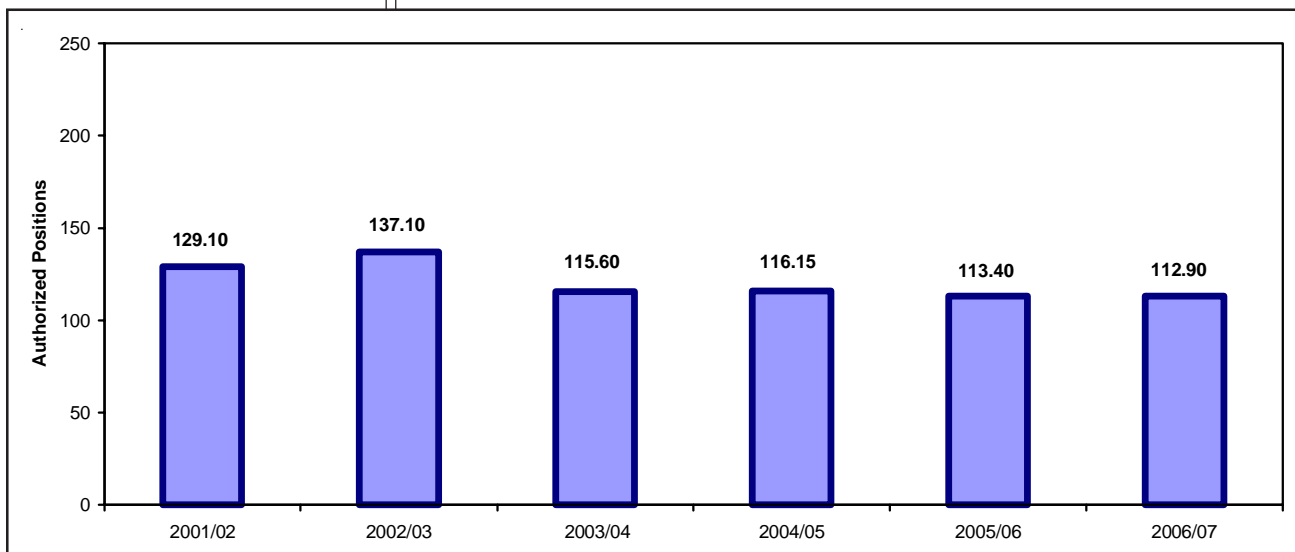
maintenance functions previously located in the Maintenance Department, with the exception of parks maintenance, which is now managed as part of the Parks and Recreation Department. In addition to maintenance, Transportation and Operations includes the transportation engineering and environmental services functions previously located in the Development and Environmental Services Department. The reorganization occurred without increasing citywide authorized staffing from FY 2005/06 levels.

The FY 2006/07 budget is \$30,124,037. It includes regular increases in employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. The department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation and general liability costs and additional computers and other technology at the City's new Maintenance Center.

The budget effects of the reorganization and a significant non-routine budget increase in Environmental Services distort comparisons with the FY 2005/06 budget. The budget includes \$1.8 million for transportation engineering services, costs that were previously budgeted as part of the engineering function, which is part of the Community Development Department.

Additionally, the budget for operating expenditures includes a non-routine \$3.1 million payment for Environmental Services costs associated with the transition from the current landfill to a new transfer station. This expense represents the payment of landfill disposal fees which will be paid from the disposal differential fund balance rather than by ratepayers. The fund balance is from fees collected in FY 2004/05 and part of FY 2005/06 for the increased disposal expense associated with the new transfer station. Due to a delay in the transfer station opening, FY 2005/06 expenditures will be lower than budgeted, and the expense is budgeted to be shifted to FY 2006/07. The entire \$3.1 million payment does not appear as a net budget increase because of offsetting decreases in other operating expenses.

Transportation and Operations Authorized Staffing



Staffing by Function

FY 2006/07

112.9 Permanent Full-
Time Equivalents

Transportation and Operations

Environmental Services

Transportation & Operations
Director 0.1
Environmental Services Manager 0.9
Solid Waste Manager 1.0
Business Manager 0.125
Environmental Specialist I 2.0
Environmental Specialist II 2.5
Executive Assistant 0.1
Office Specialist II 1.0

Transportation Engineering

Transportation & Operations Director 0.5
Senior Transportation Engineer 2.0
Management Analyst II 0.25
Business Manager 0.125
Executive Assistant 0.5
Associate Transportation Engineer 3.0
Transportation Engineer II 2.0
Transportation Engineer I 1.0
Office Specialist II 1.0

Maintenance Services

Administration

Transportation & Operations
Director 0.4
Deputy Director,
Maintenance Operations 1.0
Executive Assistant 0.4
Management Analyst II 0.25
Business Manager 0.75
Senior Office Specialist 1.0
Office Specialist II 3.0

Public Buildings

Public Building Superintendent 1.0
Building Maintenance Supervisor 1.0
Building Maintenance Field
Supervisor 3.0
Building Maintenance Specialist 1.0
Building Trades Worker III 1.0
Building Maintenance Worker II 13.0
Building Maintenance Worker I 1.0
Management Analyst I 1.0
Office Specialist II 1.0

Fleet Maintenance

Fleet Superintendent 1.0
Heavy Equip Mechanic 4.0
Auto Equip Mechanic 2.0
Auto Parts & Maint. Coord. 1.0
Mechanic Assistant 3.0
Office Specialist II 1.0
Equip. Maintenance Supv. 1.0

Street Maintenance

Pavement Maintenance

Street Maint. Supv. 0.35
Street Field Supv. 1.0
Street Maint. Worker II 4.0
Street Maint. Worker I 5.0

Street Sanitation

Street Maint. Supv. 0.35
Street Field Supv. 1.0
Street Maint. Worker II 6.0
Street Maint. Worker I 3.0

Urban Landscaping

Tree Crews

Park Maint. Supv. 0.4
Park Field Supv. 2.0
Park Maint. Worker II 5.0
Park Maint. Worker I 2.0

Median Crews

Park Maint. Supv. 0.6
Park Field Supv. 2.0
Park Maint. Worker II 4.0
Park Maint. Worker I 8.0

Traffic Safety

Street Maint. Supv. 0.3
Street Field Supv. 1.0
Street Maint. Worker II 6.0

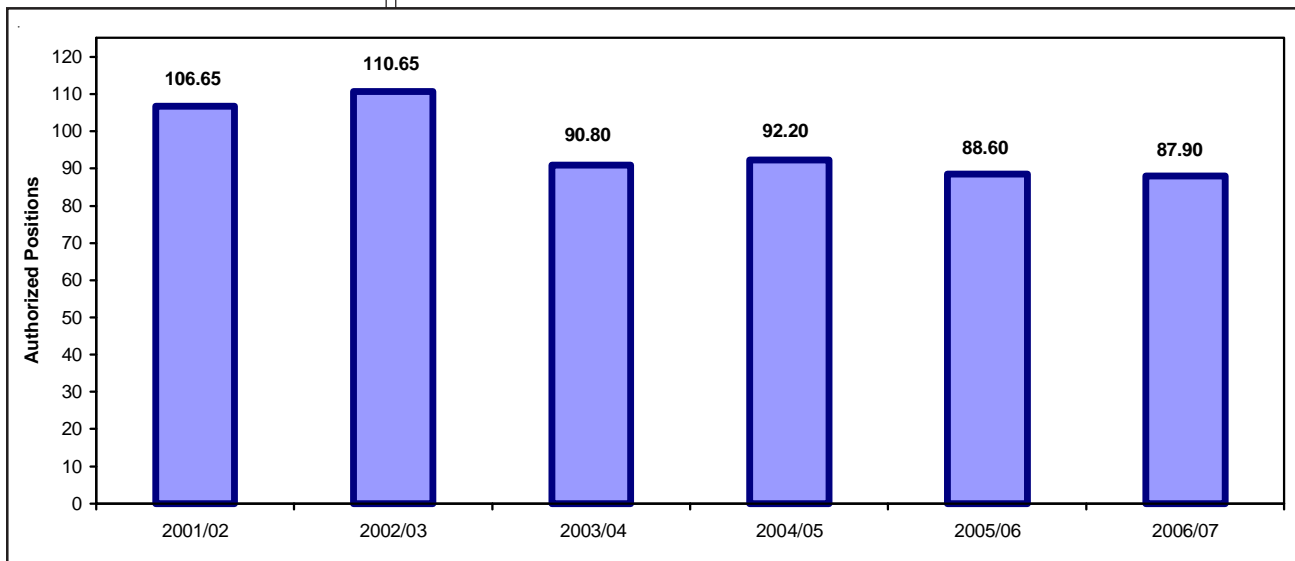
Administrative Departments

The administrative departments include the City Manager's Office, City Attorney's Office, City Clerk's Office, Human Resources, Finance, and Information Systems. These departments work together to provide the organizational infrastructure that makes services to the community possible. Since they work collaboratively to support the organization, administrative departments' service objectives are presented collectively. Other department budget information is displayed on subsequent pages.

Service Objectives

1. Assess community support for City services and provide an opportunity for citizens to communicate with the City Council and City staff about their vision for the future of Fremont.
2. Support and create opportunities for the City Council to play a leadership role at the regional, state, and national level on issues of importance to the community; foster effective relationships with partner agencies at the local level on behalf of the community.
3. Enhance interagency collaboration and build relationships with other public agencies to ensure efficient and effective service delivery among shared customers.
4. Provide strong leadership within the City organization by ensuring the City attracts, retains, and develops the best and brightest employees.
5. Support major economic development activities, including implementation of the Pacific Commons project and development of Capitol Avenue/Downtown.
6. Continue to streamline the City Council agenda process and provide prompt responses to public requests for information.
7. Support City departments developing solutions to the current fiscal challenges, including further cost reductions and new revenue sources.
8. Develop web-based access capability for financial software system.
9. Research alternative approaches and recommend a strategy to implement Governmental Accounting Standards Board (GASB) Number 45, relating to non-pension other post-employment benefits (specifically, retiree medical benefits).
10. Improve the purchase ordinance by clarifying change-order processes and ways the City may make use of State Agency and other public agency contracts.
11. Provide employee/labor relations support and advice to City departments, thereby facilitating collaborative and effective labor relations management.
12. Successfully complete negotiations on all open agreements by their respective Memorandum of Understanding expiration dates.

12. Revise the Personnel Rules and Regulations to reflect current statutory requirements and City policies and practices.
13. Participate in a multi-agency consortium in an effort to develop and maximize health care benefit choice and contain costs.
14. Design and deliver citywide supervisory training.
15. Implement a citywide performance appraisal system to enhance employee development and performance measurement.
16. Begin a multi-year project to replace the City's older phone systems to enhance functionality and achieve maintenance cost savings.
17. Upgrade the City's data communications network to support new business telephones that use network, rather than independent, telephone cabling.
18. Plan the conversion of the Tri-City's GIS data to a "Geo-database" model for greater usage efficiencies and less system maintenance.
19. Upgrade the intranet online GIS application to enhance City department usability.
20. Continue making technology security improvements mandated by State and Federal law.
21. Upgrade the document management software for easier access to City records.
22. Plan the transition from the City's current website system to a newer Content Management System to make website management easier for departments.

Administrative Systems Group Historical Authorized Staffing

City Manager

Mission: To provide supportive leadership, creating an environment in which all employees, the City Council, and the community, working together, can use their abilities to the fullest extent to provide valued services to the community, giving shape and action to the City Council's policies and goals.

Description of Responsibilities and Services

The City Manager's Office is responsible for providing support and advice to the City Council, offering leadership and policy support for departments, fostering community partnerships and interagency collaboration, connecting citizens with their community, providing legislative policy support, and championing the organization's continuing transformation to a highly customer-focused, results-oriented, entrepreneurial team.

The City Manager's Office supports the City Council's efforts to engage in legislative advocacy on the local, state, and national levels to advocate the City's interests and increase the City's influence as a leader. Similarly, it leads efforts to publicize Fremont's innovative programs, services, and best practices to enhance the City's visibility and role as a leading local government agency.

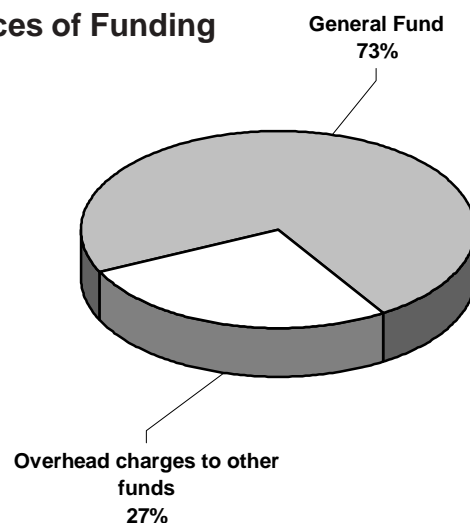
City Manager's Office Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
City Manager's Office	\$ 625,861	\$ 680,086	\$ 727,069	\$ 767,776	\$ 767,776
Administrative Systems Office	780,962	768,264	748,260	1,046,510	990,354
Total City Manager's Office	\$ 1,406,823	\$ 1,448,350	\$ 1,475,329	\$ 1,814,286	\$ 1,758,130

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

City Manager's Office Sources of Funding

FY 2006/07: \$ 1,771,468



City Manager's Office
Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 1,074,590	\$ 1,170,469	\$ 990,619	\$ 1,288,854	\$ 1,282,656	\$ 1,318,765
Operating Expenditures	175,471	111,037	314,972	354,614	304,656	307,703
Capital Expenditures	-	3,818	15,080	16,160	16,160	16,322
Indirect Expense Allocation**	156,762	163,026	154,658	154,658	154,658	128,678
Totals	\$ 1,406,823	\$ 1,448,350	\$ 1,475,329	\$ 1,814,286	\$ 1,758,130	\$ 1,771,468

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

0.8%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The total FY 2006/07 budget is \$1,771,468, which is \$13,338 (or 0.8 %) more than the FY 2005/06 adopted budget. Salaries and benefits costs are projected to increase based on pending negotiations with employee bargaining units. However, the increase will be partially offset by staffing changes totaling a decrease of 0.6 FTE position. The department is eliminating a vacant Management Analyst II position and assuming additional funding responsibility for a Deputy City Manager position that was previously funded to a greater extent in the City Clerk's Office. In addition, the Deputy City Manager position was previously funded at a higher level as an Assistant City Manager. The department's decreasing indirect expense allocation reflects its smaller share of the City's total costs for indirect services such as risk management, information systems, and vehicle replacement.

Staffing by Function

FY 2006/07

7.7 Permanent Full-Time

Equivalents

City Manager's Office

City Manager 1.0

Intergovernmental Relations Manager 1.0

Executive Assistant to the City Manager 1.0

Administrative Systems Office

Deputy City Manager 1.7

Management Analyst II 1.0

Support Specialist 2.0

City Attorney

Mission: The primary mission of the City Attorney's Office is to provide the City Council and staff with cost effective, innovative, customer-focused, high-quality representation, and proactive risk management.

Description of Responsibilities and Services

The City Attorney's Office provides day-to-day legal services to the City, from defending lawsuits to acquiring property. Staff attorneys advise the City Council, commissions, boards, and staff on legal matters such as land use regulations, potential liability for City actions, and compliance with federal and state mandates. The office assists the City in negotiating complex agreements, including labor agreements, public/private partnerships, and redevelopment agreements. The office also manages the Risk Management program for all City departments, including workers' compensation administration.

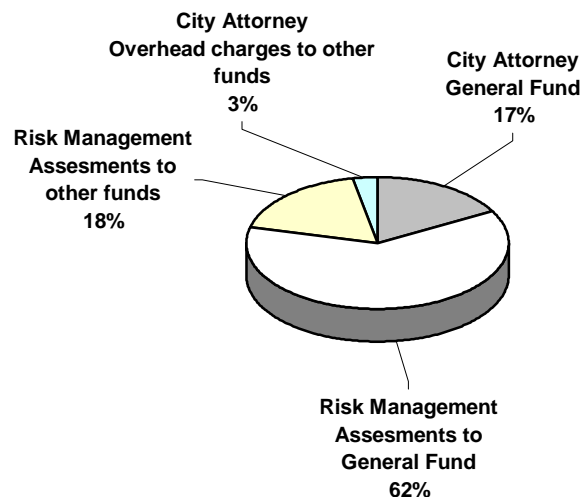
City Attorney's Office Historical Expenditures/Budget, by Major Service Area

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget
City Attorney	\$ 1,483,362	\$ 1,474,567	\$ 1,605,658	\$ 1,606,254	\$ 1,568,515
Risk Management	7,853,572	6,441,474	5,205,009	5,867,806	5,861,152
Total City Attorney's Office	\$ 9,336,934	\$ 7,916,041	\$ 6,810,667	\$ 7,474,060	\$ 7,429,667

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

City Attorney Sources of Funding

FY 2006/07: \$ 8,449,630



City Attorney's Office
Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 1,483,799	\$ 1,468,924	\$ 1,480,169	\$ 1,686,369	\$ 1,648,629	\$ 1,705,452
Operating Expenditures	7,776,635	6,363,451	5,253,078	5,710,271	5,703,618	6,632,769
Capital Expenditures	-	-	-	-	-	-
Indirect Expense Allocation**	76,500	83,666	77,420	77,420	77,420	111,409
Totals	\$ 9,336,934	\$ 7,916,041	\$ 6,810,667	\$ 7,474,060	\$ 7,429,667	\$ 8,449,630

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

13.7%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$8,449,630, an increase of \$1,019,963 (or 13.7%) over the FY 2005/06 adopted budget. The increase is primarily attributable to citywide risk management costs, which are managed by the City Attorney's Office. These costs are increasing by \$900,000 for FY 2006/07. Nearly half of the increase, \$400,000, is in the workers' compensation area and reflects increased claims activity. The remaining \$500,000 increase is for general liability premium payments. Actual general liability costs have not increased significantly, but a change in the way the City budgets for an annual premium rebate requires a budget increase. Staff currently budgets for the rebate, without knowing the amount that will be received. Wide fluctuations in the amount ultimately received in recent years have caused mid-year funding challenges. Beginning in FY 2006/07, the budget will include the full premium amount, and the rebate received will reduce actual expenditures for the year.

Salaries and benefits are also increasing based on pending negotiations with employee bargaining units. The department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation and general liability costs mentioned above.

Staffing by Function

FY 2006/07

10.75 Permanent Full-
Time Equivalents**City Attorney's Office**

|

City Attorney 1.0

Assistant City Attorney 1.0

Senior Deputy City Attorney II 1.0

Senior Deputy City Attorney 1.0

Deputy City Attorney 1.0

Law Office Supervisor 1.0

Paralegal 1.0

Legal Secretary 0.75

|

Risk Management

Risk Manager 1.0

Risk Management Technician 1.0

Safety Coordinator 1.0

City Clerk

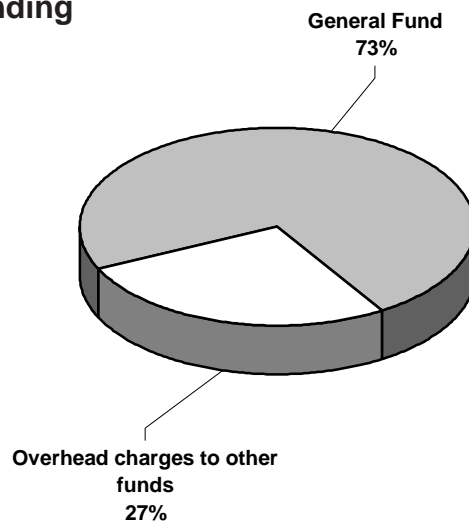
Mission: Ensure citizens' trust in government by supporting the City's legislative process and providing open, accurate and timely legislative history; safeguarding all official records of the City; administering open and free elections; and providing information and services to support the City Council, staff, and the public.

Description of Responsibilities and Services

The Office of the City Clerk oversees the preparation of the City Council agenda; records the City Council's actions in official minutes; maintains a computerized legislative history; and is responsible for safeguarding official documents. The City Clerk is the elections officer for the City and is responsible for the administration of all general and special municipal elections. The City Clerk is the administrator and filing officer for the Fair Political Practices Commission and City of Fremont Conflict of Interest Regulations. The Office of the City Clerk oversees a records management system that provides for the electronic research and storage of City records; distributes mail to City facilities; and administers the contract for off-site print services.

City Clerk Sources of Funding

FY 2006/07: \$ 1,328,186



City Clerk
Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 488,249	\$ 499,949	\$ 420,000	\$ 622,244	\$ 614,977	\$ 640,720
Operating Expenditures	412,498	433,750	496,409	507,253	491,133	532,426
Capital Expenditures	-	18,857	-	-	-	-
Indirect Expense Allocation**	123,401	130,600	128,204	128,204	128,205	155,040
Totals	\$ 1,024,148	\$ 1,083,156	\$ 1,044,613	\$ 1,257,701	\$ 1,234,315	\$ 1,328,186

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

7.6%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$1,328,186, an increase of \$93,871 (or 7.6%) over the FY 2005/06 adopted budget. Some of the increase is attributable to employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. For FY 2006/07, a Deputy City Clerk position has been replaced with a City Clerk position. Consequently, the City Clerk's budget includes a smaller share of the Deputy City Manager position (previously budgeted as an Assistant City Manager position) cost. These changes have offsetting budget effects, with an insignificant net budgetary impact.

In addition to a CPI-related increase, the operating expenditures budget contains a \$38,000 increase to cover citywide printing services costs that are budgeted in the City Clerk's Office budget. The department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation, general liability, and information systems costs.

Staffing by Function

FY 2006/07

6.3 Permanent Full-Time
Equivalents

City Clerk

Deputy City Manager 0.3
City Clerk 1.0
Deputy City Clerk 1.0
Office Specialist II 2.0
Office Specialist I 2.0

Mission: To assist the City Council, City Manager, and operating departments in prudently managing financial resources by providing accurate information and high-quality business planning and financial services, including budgeting, debt management, accounting, purchasing, revenue management, and payables.

Description of Responsibilities and Services

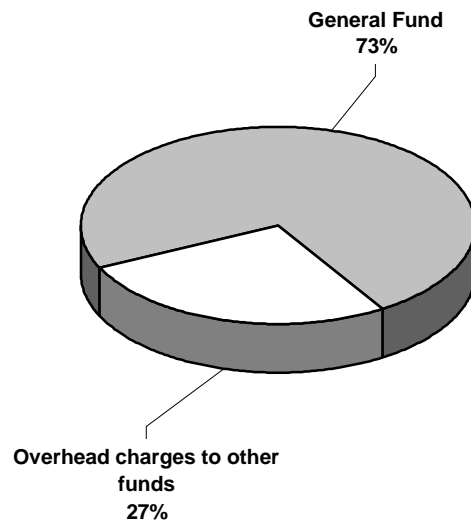
The department is responsible for providing financial information, policy analyses, and recommendations that help the City Council and all City departments make decisions about how to best allocate the City's resources. In FY 2006/07, the Department's chief priority will be to support the organization's immediate and long-range resource allocation decisions in response to continued economic and State budget uncertainty. In this role, staff will facilitate efforts to evaluate the effects of budget reductions on service levels, assist departments with business planning, support citywide economic development projects, and provide recommendations on proposals with a financial impact.

The department core responsibilities, include:

- accounting for the City's resources and disclosing the financial condition of the City and results of its operations in the year-end comprehensive annual financial report;
- monitoring local business and economic trends for effects on the City's revenue sources;
- preparing and monitoring the annual operating budget;
- providing accounts payable and purchasing services;
- collecting and auditing all locally-controlled revenues, including taxes, charges, and fines; and
- managing the City's debt, investment, and banking functions.

Finance Sources of Funding

FY 2006/07: \$ 3,715,779



Finance**Historical Expenditures/Budget, by Category**

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 2,524,120	\$ 2,663,900	\$ 2,806,542	\$ 2,978,531	\$ 2,900,117	\$ 3,095,435
Operating Expenditures	353,858	324,880	363,759	405,669	364,603	368,248
Capital Expenditures	745	-	-	-	-	-
Indirect Expense Allocation**	153,625	167,947	160,250	160,250	160,250	252,096
Totals	\$ 3,032,348	\$ 3,156,727	\$ 3,330,551	\$ 3,544,450	\$ 3,424,970	\$ 3,715,779

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

8.5%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$3,715,779, an increase of \$290,809 (or 8.5%) over the FY 2005/06 adopted budget. Much of the increase is attributable to employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. The department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation, general liability, and information systems costs.

Staffing by Function

FY 2006/07

25.75 Permanent Full-Time Equivalents

Finance

Finance Director 1.0
Assistant Finance Director 1.0
Budget Manager 1.0
Management Analyst II 1.0
Executive Assistant 1.0

Budget and Accounting Services

Senior Accountant 2.0
Accountant 3.0
Accounting Technician 1.0

Treasury

Revenue & Treasury Manager 1.0
Accounting Technician 1.0

Purchasing/Accounts Payable

Operations Supervisor 1.0
Accounting Specialist II 4.0

Revenue

Operations Supervisor 1.0
Revenue Collector/Auditor 2.0
Accounting Specialist II 2.75
Accounting Specialist I 1.0

Information Systems

Systems Analyst / Programmer 1.0

Human Resources

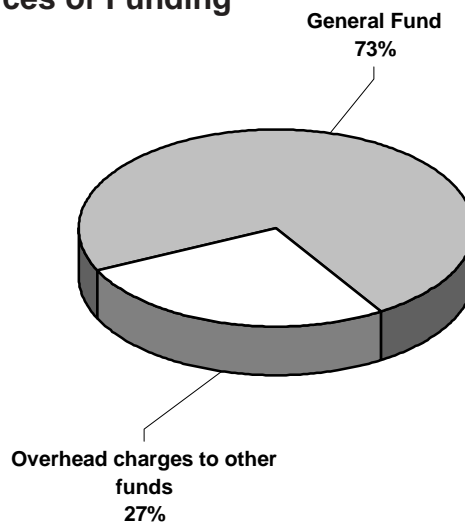
Mission: To provide innovative and essential Human Resource programs that support the delivery of quality services to the community by attracting and retaining a highly qualified workforce and encouraging individual and organizational development.

Description of Responsibilities and Services

Human Resources is responsible for providing specialized assistance to other City departments in their leadership and management of the City. In order to accomplish this objective, services are provided in the following functional areas: labor and employee relations, including the development and administration of Memoranda of Understanding with bargaining units; employee and organizational development; staff selection and compensation; and payroll, benefits, and retirement.

Human Resources Sources of Funding

FY 2006/07: \$ 2,385,036



Human Resources
Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 1,495,901	\$ 1,654,978	\$ 1,898,000	\$ 1,898,000	\$ 1,889,023	\$ 2,031,758
Operating Expenditures	202,953	159,236	166,363	207,282	196,556	198,523
Capital Expenditures	4,606	-	10,346	6,118	-	-
Indirect Expense Allocation**	85,368	94,275	87,720	87,720	87,720	154,755
Totals	\$ 1,788,828	\$ 1,908,489	\$ 2,162,429	\$ 2,199,120	\$ 2,173,299	\$ 2,385,036

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

9.7%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The FY 2006/07 budget is \$2,385,036, an increase of \$211,737 (or 9.7%) over the FY 2005/06 adopted budget. The increase is partly attributable to employee salaries and benefits costs, which for budgeting purposes are projected to rise. Actual changes to salaries and benefits are subject to negotiations with employee bargaining units. Additionally, the department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation, general liability, and information systems costs.

Staffing by Function
FY 2006/07
17.0 Permanent Full-
Time Equivalents

Human Resources
Administration

Human Resources Director 1.0
Executive Assistant 1.0

Recruitment/Classification/Compensation

Employment Services Manager 1.0
Human Resources Analyst 1.0
Human Resources Technician II 2.0
Office Specialist II 1.0

Labor Relations

Labor Relations Officer 1.0
Labor/Employee Relations Analyst 1.0

Benefits/Payroll

Benefits & Payroll Manager 1.0
Benefits/Payroll Supervisor 2.0
Human Resources Technician II 5.0

Information Systems

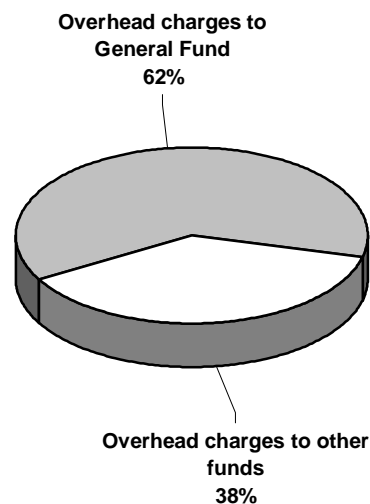
Mission: *The Office of Information Systems supports and enhances the computer and telecommunications technology of the organization to provide employees and the public with access to information and communications.*

Description of Responsibilities and Services

Information Systems is responsible for computer, telecommunications, and data network services to support the general operations of the City organization. Information Systems coordinates the implementation of appropriate technologies to ensure these services fulfill each department's missions and integrate wherever possible with other parts of the organization for the sake of economy and more efficient operations. Information Systems staff also advise departments on computer and communication matters, provide employee computer training, and support technology projects.

Information Systems Sources of Funding

FY 2006/07: \$ 4,820,647



Information Systems
Historical Expenditures/Budget, by Category

	2003/04 Actual	2004/05 Actual	2005/06 Estimated Actual	2005/06* Adjusted Budget	2005/06 Adopted Budget	2006/07 Adopted Budget
Salaries & Benefits	\$ 2,015,399	\$ 2,191,021	\$ 2,263,875	\$ 2,413,819	\$ 2,396,807	\$ 2,545,744
Operating Expenditures	530,860	1,043,124	724,271	1,182,999	999,639	1,054,660
Capital Expenditures	117,263	274,539	804,623	970,296	370,296	608,050
Indirect Expense Allocation**	491,951	531,849	538,531	538,531	538,532	612,193
Totals	\$ 3,155,473	\$ 4,040,533	\$ 4,331,300	\$ 5,105,645	\$ 4,305,274	\$ 4,820,647

% increase/(decrease), including all funds, from FY 2005/06 Adopted Budget

12.0%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information systems, vehicle replacement, workers' compensation costs, and general liability insurance.

Major Changes for FY 2006/07

The total FY 2006/07 budget is \$4,820,647, which is \$515,373 (or 12%) more than the FY 2005/06 adopted budget. Most of the increase is attributable to increased budget for capital expenditures, which will help reduce the equipment replacement backlog and support current technology demands citywide. Salaries and benefit costs are also projected to increase based on pending negotiations with employee bargaining units. Finally, the department's allocation of citywide indirect expenses is increasing as a result of rising workers' compensation and general liability.

Staffing by Function
FY 2006/07

20.4 Permanent Full-
Time Equivalents

Information Systems

Chief Technology Officer 1.0
Systems Analyst/Programmer 0.2
Accounting Specialist II 0.9

Business Systems

Senior Programmer Analyst 1.0
Systems Analyst/Programmer 5.8

Phone & Voicemail Support

Data Processing/Telecom. Tech. 1.0
Accounting Specialist II 0.1

Personal Computer & Network Support

Computer Network Administrator 2.0
Computer Specialist 4.0
Systems Application Specialist III 1.0

Geographic Information

Senior Programmer Analyst 0.9
Computer Specialist 1.0
Systems Application Specialist III 1.5

Permanent Position Summary

Overview

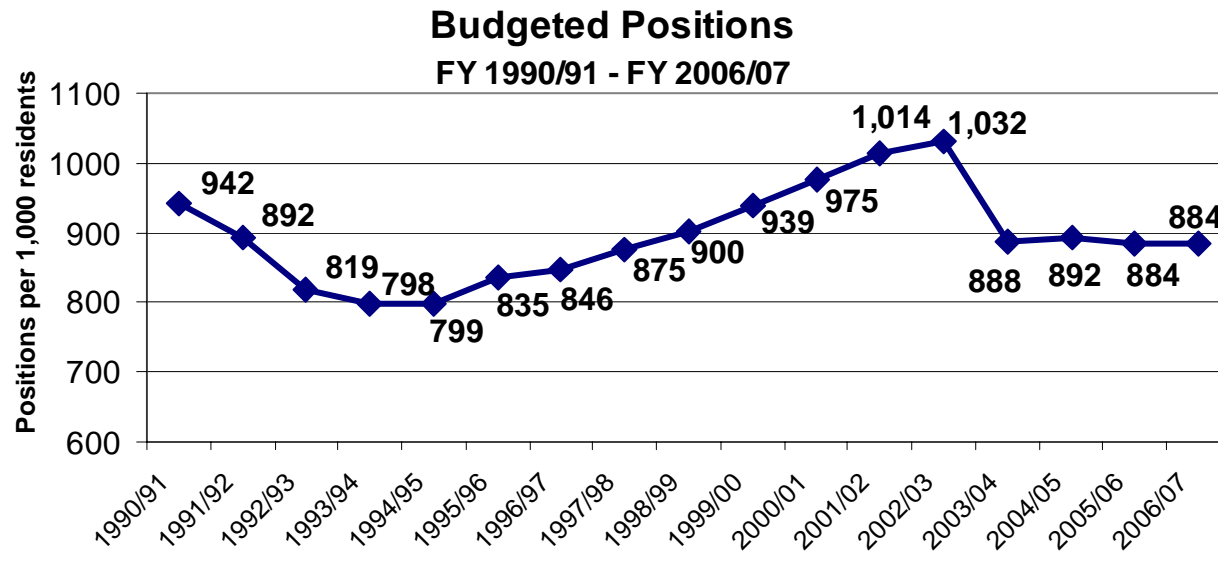
The total authorized permanent staffing level for the FY 2006/07 budget is virtually unchanged from the FY 2005/06 level. Cautious budget planning prompted by continuing economic uncertainty prevents the City from restoring any of the 148.30 permanent positions eliminated since FY 2002/03. Staffing levels for the most basic services — Police, Fire, and Maintenance — remain at their lowest level in at least 17 years when viewed in relation to Fremont's population.

The authorized level of 884.17 full-time equivalent positions (FTEs) is 0.43 FTE lower than the FY 2005/06 level of 884.60. The reorganization of the Development and Environmental Services Department into two departments — the Community Development Department and the Department of Transportation and Operations — is the most significant organizational change for FY 2006/07. The reorganization was accomplished by restructuring or reclassifying several existing positions, without adding any new staff.

The decrease in net FTE positions is primarily attributable to the elimination of a vacant Management Analyst position in the City Manager's Office and offsetting miscellaneous adjustments of existing positions. Additional information on departmental staffing, along with organizational charts, may be found in the departmental budget section of this document. Additional discussion of citywide details may be found in the Staffing section of this document.

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
<u>PUBLIC SAFETY</u>								
Fire	202.00	205.00	176.20	176.00	157.60	153.00	153.00	153.00
Police	313.75	322.75	337.75	337.75	292.90	299.10	294.00	294.00
TOTAL	515.75	527.75	513.95	513.75	450.50	452.10	447.00	447.00
<u>OTHER COMMUNITY SERVICES</u>								
Community Development	0.00	0.00	128.70	129.60	103.32	102.90	105.10	106.42
Economic Development	2.75	4.00	6.00	4.70	3.64	4.75	4.64	4.64
Human Services	33.45	36.45	40.95	44.95	40.57	40.67	43.97	43.97
Transportation & Operations	0.00	0.00	129.10	137.10	115.60	116.15	113.40	112.90
Parks and Recreation	37.10	39.10	72.60	74.25	70.10	68.85	67.35	67.35
Housing and Redevelopment	14.00	15.30	16.05	17.35	13.04	14.68	14.54	13.99
TOTAL	87.30	94.85	393.40	407.95	346.27	348.00	349.00	349.27
<u>ADMINISTRATIVE SYSTEMS</u>								
City Manager's Office	12.00	12.00	4.00	4.00	3.00	3.00	3.00	3.00
Administrative Systems Office			12.00	11.10	5.50	6.50	5.30	4.70
City Attorney	9.60	11.00	13.00	13.00	12.00	11.00	10.75	10.75
City Clerk	10.00	10.00	9.00	10.50	7.50	7.40	6.40	6.30
Finance	27.50	30.65	29.65	30.05	25.40	26.40	25.75	25.75
Information Systems	13.00	16.00	18.00	21.00	20.40	20.40	20.40	20.40
Human Resources	14.00	16.50	21.00	21.00	17.00	17.50	17.00	17.00
TOTAL	86.10	96.15	106.65	110.65	90.80	92.20	88.60	87.90
CITYWIDE TOTAL	689.15	718.75	1014.00	1032.35	887.57	892.30	884.60	884.17

* Historical staffing information reflects the current organizational structure. Positions previously displayed in departments that were eliminated as part of the FY 2006/07 reorganization (Maintenance and Development and Environmental Services) have been redistributed to new departments (Community Development, Transportation and Operations, and Parks and Recreation) with the same adjustments made to historical data to assist the reader with comparisons.

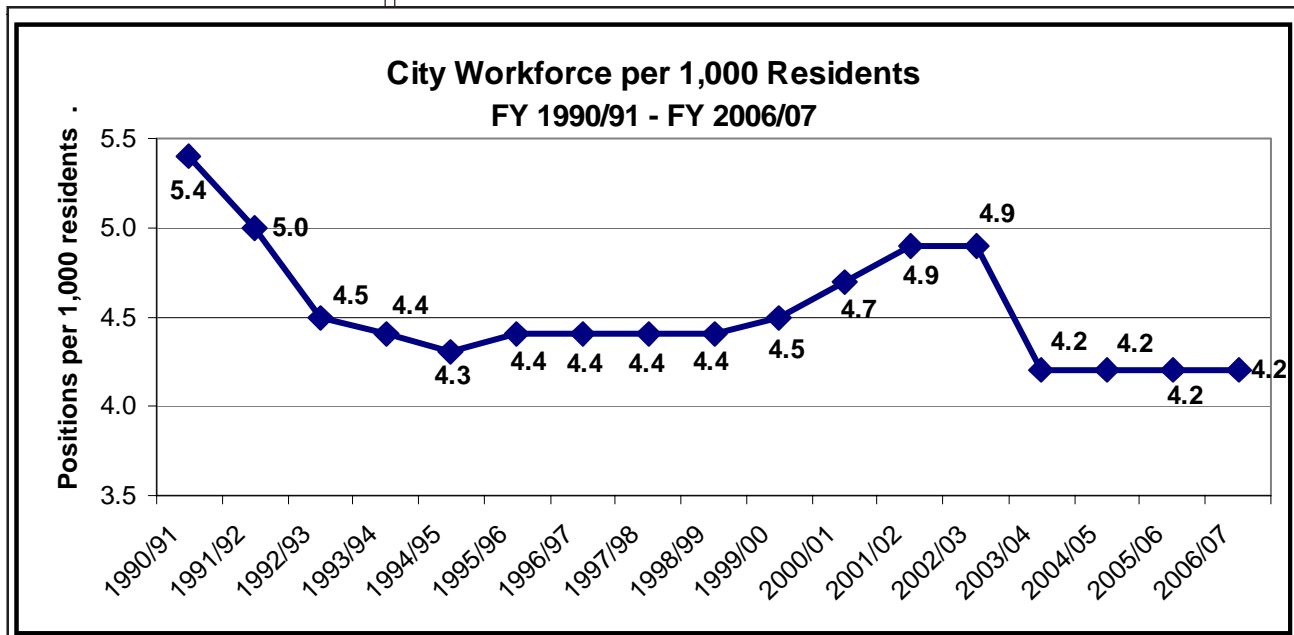


Historical Perspective

City staffing has stayed relatively constant over the past fifteen years despite population growth of approximately 36,000 residents, or nearly 21%. Fremont is again the lowest staffed city on a per capita basis in Alameda County. The FY 2006/07 budget authorizes 56 fewer positions than authorized by the City Council for FY 1990/91. The above table shows that since the high point achieved in FY 1990/91, Fremont has reduced its workforce during economic recession, and has been disciplined when adding back staff during economic recovery.

During the FY 1990/91 – FY 1993/94 recession, the City eliminated 144 positions. In the subsequent nine-years, as Fremont's population grew and the economy expanded, the City added 234 positions, mostly in police, fire, and maintenance services. In 2003, the City eliminated 224 positions (168 budgeted and 56 part-time or temporary) as a step toward balancing the FY 2004/05 budget as a result of the high-tech recession. The FY 2003/04 authorized staffing level was 14% lower than the FY 2002/03 adopted budget level, and marked the City's lowest permanent staffing level since FY 1997/98. This budget continues these historically low staffing and related service levels.

Staffing levels are even steadier when population growth over time is considered. Between FY 1990/91 and FY 1994/95, the City reduced its authorized position count from 5.4 to 4.3 positions per 1,000 residents. Between FY 1994/95 and FY 1998/99 per capita staffing stayed constant before the economic expansion later in the decade allowed the City to restore some of the services lost because of the early 1990s recession. The 2001/2002 economic recession again forced reduction in the City's per capita staffing to its lowest levels ever — 4.2 FTE per 1,000 residents. Continuing revenue uncertainty prevents the City from restoring positions, so authorize staffing will remain at 4.2 FTE per 1,000 residents level in FY 2006/07.



Staffing Levels Relative to Other Communities

As the table on the following page indicates, comparison of staffing levels in neighboring communities reveals that the City of Fremont maintains an extremely low ratio of budgeted positions to residents.

Fremont's low staffing ratio is driven by resource limitations, and it only works because of efficient city operations. Fremont has less per capita revenue to pay for basic public safety and maintenance services than other larger California cities, its neighboring cities, and other cities known for their high quality of life.

More than two-thirds of the General Fund budget is allocated for the City Council's priorities of police, fire, and maintenance services. Correspondingly, almost two-thirds of the FY 2003/04 position reductions were made in these departments. The FY 2006/07 budget makes no further operational reductions in these priority departments.

Police

The Police Department's staffing level remains unchanged at 294 FTE positions. However, this level remains 43.75 fewer FTE positions than budgeted in FY 2002/03 and matches the all-time low per capital staffing of 0.9 sworn officers per 1,000 residents for the fourth consecutive year. This represents 10% less police officer coverage than the one officer per thousand residents available in each of the five years prior to FY 2003/04. This decreased service level is illustrated by the graph on the following page.

The Police Department adjusted its staffing assignments to focus on the department's core patrol emergency response and reduced Investigations Unit. The department eliminated its Traffic Unit during FY 2005/06. With so few police officers on the street and in detective assignments, the

**Positions per 1,000 Residents
FY 2005/06**

City	2005 Population	Citywide Positions	Positions per 1,000 Residents
Palo Alto	61,674	664	10.76
Oakland	412,318	3,972	9.63
Newark	43,708	299	6.84
Sunnyvale	133,086	849	6.38
San Jose	944,857	5,835	6.18
Pleasanton	67,650	374	5.52
Livermore	80,723	436	5.40
Walnut Creek	66,501	341	5.13
Union City	70,685	341	4.82
Fremont	210,445	885	4.20

Source: FY 2005/06 published city budgets & California Department of Finance Population Estimates for 2005.

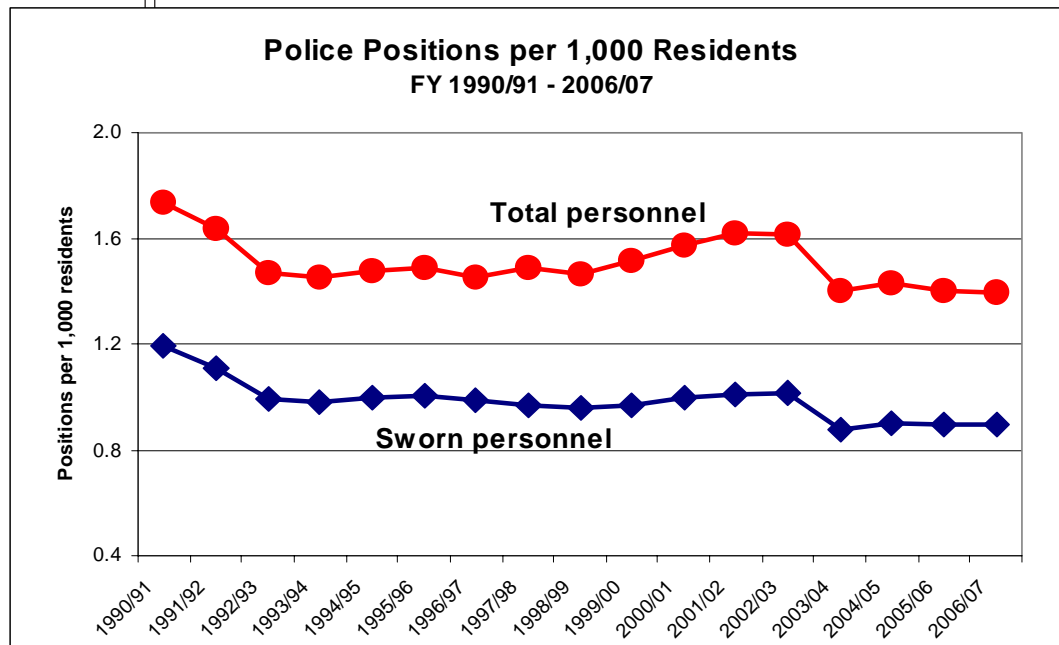
Note: Services provided by each community surveyed, and respective funding arrangements, vary widely among cities. The table reflects staffing levels in various communities, with the following adjustments to improve comparability with Fremont:

1. **Palo Alto:** total positions reduced by the number of positions supporting utility, wastewater, stormwater, refuse, and library services (not provided by the City of Fremont).
2. **Oakland:** total positions reduced by the number of positions supporting library services (not provided by the City of Fremont).
3. **Sunnyvale:** total positions reduced by the number of positions supporting water, wastewater, and solid waste services (not provided by the City of Fremont).
4. **San Jose:** total positions reduced by the number of positions supporting art, airport, and library services (not provided by the City of Fremont).
5. **Pleasanton:** total positions reduced by the number of positions supporting library services (not provided by the City of Fremont).
6. **Livermore:** total positions reduced by the number of positions supporting water, airport, and golf services (not provided by the City of Fremont).
7. **Walnut Creek:** although no adjustment has been made, it is noteworthy that fire protection services for Walnut Creek are provided by Contra Costa County; therefore there are no staff budgeted by Walnut Creek for this function.

department stopped responding to most non-emergency service calls, implemented a “verified response” alarm policy, reduced traffic patrol efforts, and eliminated crime prevention programs, including most of its school (GUARD) and neighborhood crime prevention efforts.

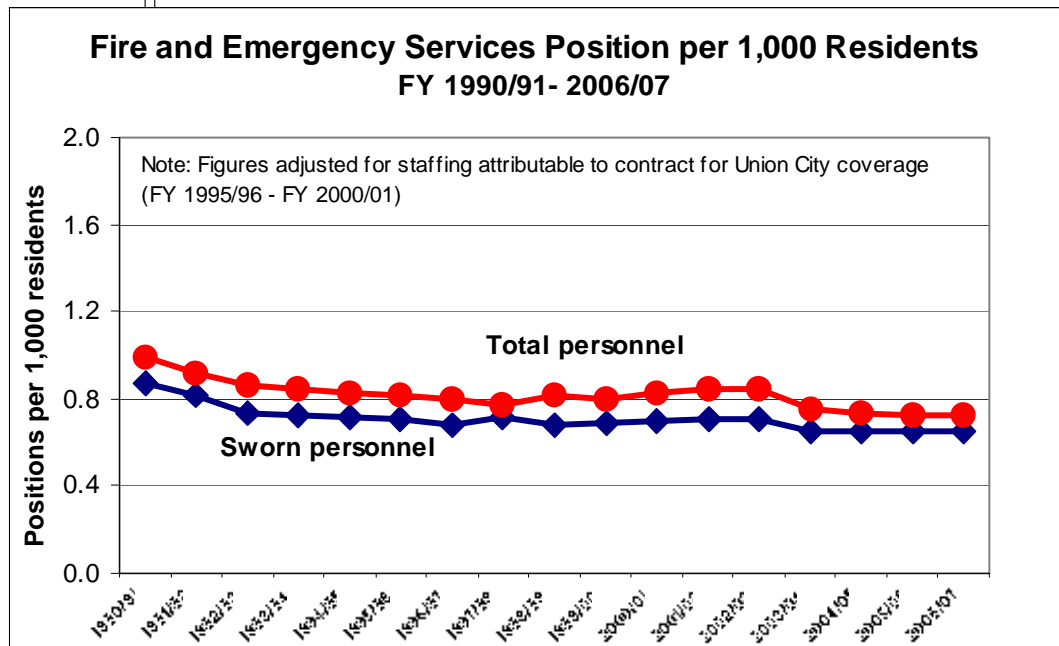
The Police Department has increased service efficiency in recent years by expanding its use of non-sworn Community Service Officers. The Community Service Officers contribute significantly to community safety through their community engagement efforts, animal services, forensics, crime analysis, and crime prevention education. They also support patrol through their work in traffic accident management, evidence management, and report administration, which enables sworn police officers to focus on responding to emergencies and criminal law enforcement.

The Fremont Police Department has always operated efficiently relative to other communities. No police staff has been added since FY 2004/05, at which time Fremont had fewer budgeted sworn police employees per 1,000 residents than any city in Alameda, Contra Costa, and Santa Clara Counties.



Fire

Fire Department FY 2006/07 staffing remains constant at 153 budgeted FTE positions. Sworn positions remained constant at 0.7 firefighters per 1,000 residents for each of the five years before FY 2003/04 before falling to 0.6 positions per 1,000 residents as budgeted in FY 2006/07. This 8.5% decline to the lowest per capita emergency response level in Fremont's history is shown on the following graph.



The department closed the station with the lowest volume of service calls – Fire Station 11 – in FY 2002/03 to reduce expenditures and to preserve firefighter positions. In December 2003, the Department began the rotational closing of fire stations on days when three or more firefighters are absent from work to avoid incurring the absence-related overtime. These proactive measures allowed the Department to minimize citywide emergency service impacts by avoiding firefighter lay-offs. During FY 2003/04, the City joined a regional consortium for fire dispatch services to ensure the highest level of public safety communications at a reduced cost.

Fremont's Fire Department has consistently provided excellent services with a comparatively low staffing level over the past fifteen years. Even before the latest reductions, the Department operated efficiently compared to other communities. In FY 2005/06, Fremont budgeted fewer sworn fire employees per 1,000 residents than any city located in either Alameda or Santa Clara Counties, except for Union City and Sunnyvale.

Another service efficiency measure is the average number of square miles served by each fire station. Fremont's Fire Department serves 92 square miles with only 10 fire stations — an average of one fire station per 9 square miles. By comparison, Oakland averages one fire station for every two square miles, San Jose averages one station for every six square miles, and Hayward averages one station for every seven square miles.

Maintenance

For FY 2006/07 maintenance staff remains virtually constant at 128.8 FTE positions. Low staffing continues to hinder the City's efforts to maintain its parks, urban forestry, and public buildings – places with the least impact on public safety and City asset preservation.

Maintenance staffing relative to population has remained constant. But, maintenance demands related to public buildings, streets, parks, and street trees have grown tremendously. The following table illustrates this growth.

Asset	FY 1993/94	FY 2004/05	Percent change
Public buildings	581,500 sq. feet	948,400 sq. feet	63%
Streets	778 lane miles	1,035 lane miles	33%
Trees along streets	35,000 trees	46,000 trees	31%
Park land	810 acres	1,053 acres	30%

As with Police and Fire staffing, the 0.6 maintenance workers per 1,000 residents budgeted for FY 2006/07 matches the lowest ratio for these services in the City's history. The continuing effects of the City's elimination of 42,000 budgeted part-time/seasonal labor hours (an additional 21 FTE positions) in FY 2003/04 means maintenance service capacity will continue to be diminished for the foreseeable future.

Policies and Practices

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The City of Fremont budget and financial policies are subject to California State law, generally accepted accounting principles, and the City Council. The standards set by these entities establish budget calendar dates, provide for budget control, describe the budget amendment process after budget adoption, and identify appropriate methods for budgeting, accounting, and reporting. The City's resources and appropriations policies are extensions of the laws established by the State of California through the City Council and follow generally accepted governmental accounting principles and budgeting practices.

Budget practices and policies are reviewed to ensure that current financial practices are in place. Areas for future policy development and updates may include postretirement benefits and establishing reserve policies to offset economic fluctuations that occur in the CalPERS retirement system.

Budget Practices

Budget Process and Calendar

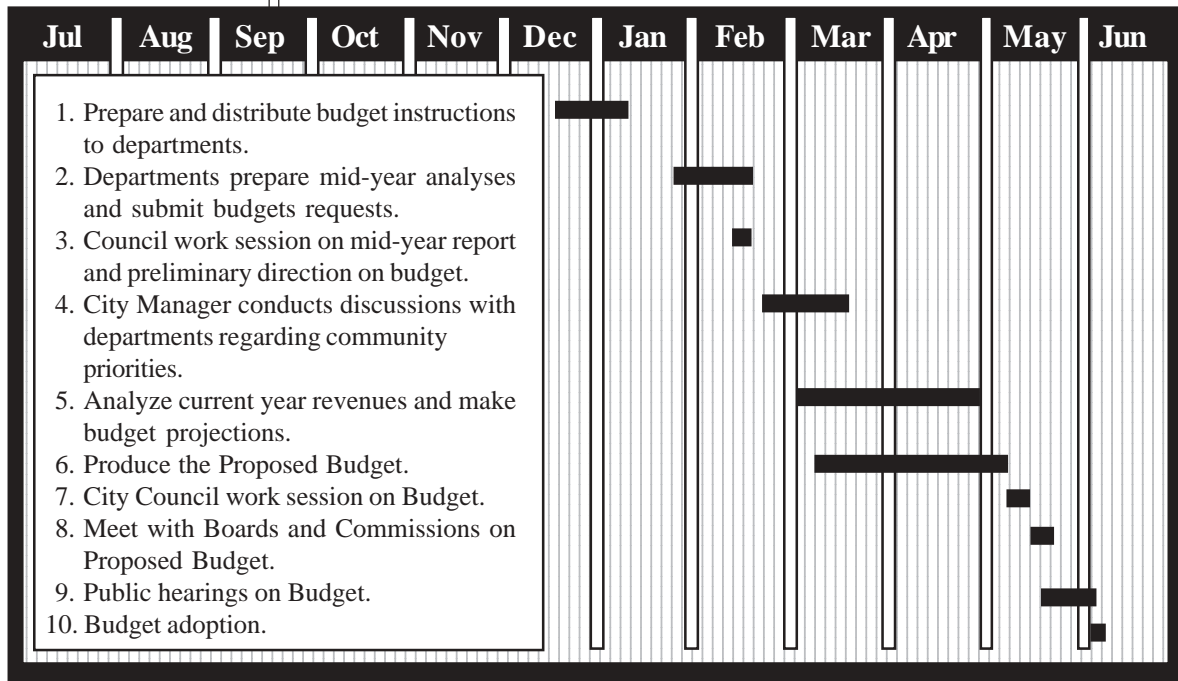
The budget process enables the City Council to make resource allocation decisions, including choices about staffing, technology, equipment, and priorities to be addressed in the coming fiscal year. The City of Fremont's Annual Operating Budget is adopted by the City Council by July 1 each year. Although the City Council first reviews the budget in May, the City Manager's Office, the Finance Department, and other departments begin to prepare it at least six months prior. Throughout the year, staff provides quarterly revenue projections and updates on the City's financial performance, and continues to assess City needs. In producing the budget, the Budget Team receives input from the public, City Council, and staff.

In November, the City Manager provides an update to the City Council on the current year's budget and outlines policy issues facing the City. Together, they establish objectives for the upcoming year. At the mid-year budget review in February, the City Council provides feedback and direction regarding proposed priorities for the future programming of General Fund resources. With this direction and the Finance Department's revenue projections, each department prepares a proposed budget. The Budget Team works closely with department managers to ensure that budgets reflect the City Council's interests, priorities, and goals.

Several weeks before the budget is adopted, the City Manager presents the budget for the coming year to the City Council along with information on current year accomplishments and future year goals. Copies of the proposed budget documents are available to the public at public hearings, and they are also available in the City Clerk's Office and at public libraries. The City Manager presents the budget to the City Council in a televised public forum. Included in the City Manager's presentation are an update of the City's financial position and long-range plan; a review of the national, state, and local economies; a discussion of financial policies; and an update on department activities. After reviewing the proposed budget and receiving

public comment at public hearings, the City Council may direct staff to revise the proposed budget. On or before June 30, the City Council votes to adopt the budget, including any revisions to the proposed budget. At any time after the adoption of the budget, the City Council may amend or supplement the budget.

Upon final adoption by the City Council, the budget becomes the legal authorization for the various departments to expend resources, subject to conditions established by the City Manager and City Council. Through a resolution adopted by the City Council, the City Manager is authorized to transfer appropriations as needed from any account in the budget to any other accounts within the same fund to meet overall budget requirements. This resolution further authorizes the City Manager to transfer funds designated as “Transfers” in appropriate increments and intervals. The City Council has adopted several financial and budgetary policies, which address debt, reserves, and spending authorizations, and which help guide long-term planning. These policies are outlined in further detail throughout this section.



Citizen Participation

Citizens of Fremont participate in the budget planning process in various ways, such as participation on Council-appointed boards and commissions, attending budget study sessions and public hearings, or meeting with City staff. Quarterly study sessions to review the City's budget and discuss relevant policy issues are held as public meetings.

Public hearings for the budget adoption occur at the end of May and the beginning of June. Citizens have the opportunity to speak about budget issues at these hearings and at any City Council meeting during the year. All Council meetings and budget study sessions are televised on the local cable access channel.

The City Council will hear a presentation of the City Manager's proposed FY 2006/07 budget at a televised work session on May 16, 2006. Televised public hearings will be held on May 23 and June 6, 2006. The Redevelopment Agency's budget and the City budget are scheduled to be adopted on June 6, 2006.

Other Major Planning Processes

The budget is one of three major citywide planning tools. The General Plan, which governs land use and development, and the Capital Improvement Program/Integrated Capital Assets Plan (CIP ICAP) are the other two. Each planning process informs the others, and together they enable coordinated planning for operating City services, maintaining the City's investment in public infrastructure, and developing land consistently with community interests.

The City began a three-year process of updating its General Plan in the Spring of FY 2006. A current General Plan can improve the City's fiscal health and enable more accurate revenue forecasting by clarifying the City's goals for land use development. The Plan thereby provides the framework for City revenue potential and service planning. The process of updating the General Plan will include many opportunities for public participation, including visioning and review of Plan elements as they develop. Each component will be informed by financial implications of alternative decisions, and will thereby influence budget discussions in each year of the process.

The CIP/ICAP planning process takes place every two years. The product is a funded five-year plan for building and maintaining City infrastructure. While the CIP/ICAP keeps a five-year planning horizon, it appropriates funds for a two-year period. The current CIP/ICAP was adopted on June 7, 2005 and appropriates the funds for projects and maintenance activities for FY 2005/06 and FY 2006/07. Therefore, the capital funding information provided in the Operating Budget is for display purposes only; the "budget" for capital funds was adopted with the FY 2005/06 – FY 2006/07 CIP/ICAP.

Including maintenance in the capital budgeting process (the “ICAP”) is intended to overtly balance the planning for capital improvements with funding needs to maintain existing infrastructure. The amount of General Fund to be transferred to the CIP/ICAP is determined in the annual Operating Budget process, and may vary annually from the amount projected as revenue in the CIP/ICAP. However the CIP/ICAP expenditure appropriation does not change without specific City Council action. The process for adopting the FY 2007/08 – FY 2012/13 CIP/ICAP will begin during the summer of 2006. Appropriations will reflect any changes in other City funding capabilities. Conversely, the maintenance levels and capital projects adopted in the FY 2007/08 – FY 2012/13 CIP/ICAP will inform the FY 2007/08 Operating Budget.

Basis of Budgeting

The City uses a multi-year financial forecast model to ensure that current budget decisions consider future financial implications. The basis for the multi-year forecast projections is current year estimated revenues and expenditures.

Revenues: The City receives revenues from a variety of sources. Property tax, sales tax, and vehicle license fees comprise more than two-thirds of the General Fund, but are controlled by the State Legislature. The City receives the balance of its revenues from local taxes, fees, charges for services, and transfers from other funds for General Fund services. Revenue projections for the coming budget year are comprised of the estimated actual revenue projected for the current year, multiplied by the factor by which the revenue is projected to grow or decline, based on current economic information.

The City has a long-standing practice of dedicating one-time revenues to fund a variety of one-time projects. Increases in the General Fund associated with one-time revenues are not programmed for ongoing operations in the multi-year forecast. This ensures that future revenues and expenditures are reasonably projected.

Fees & Charges: The City charges for some services at rates that, where possible, match the cost of providing the service. Several departments charge for services such as hazardous materials checks, animal vaccinations and sterilization services, and counseling.

Expenditures: The City budgets at the governmental fund level, and funds are grouped for budget presentation. Major fund groups include the General Fund, Cost Center/Internal Service funds, Special Revenue Funds, Redevelopment Agency Funds, and Capital Funds.

While all funds budgeted are included in the operating budget, this document focuses on the General Fund, which contains the majority of the City’s discretionary resources for basic services such as police, fire, and maintenance. Departmental base budgets for a given budget year are determined by:

1. starting with the adopted budget for the prior year,
2. reducing the adopted prior year budget for any one-time appropriations the department received,
3. multiplying the adjusted budget by percentage factors for cost increases associated with negotiated bargaining unit agreements and inflation, and
4. implementing any necessary service reductions or enhancements determined by the City Manager.

City funds are budgeted on the modified accrual basis of accounting. This method recognizes revenues when they become measurable and available to finance expenditures of the period. Expenditures are recorded when the related fund liability is incurred with the exception of principal and interest on long-term debt, which are recorded when due.

Basis of Budgetary Accounting

The basis of budgetary accounting that follows describes how the City presents the estimated revenues, budgeted expenditures and expenses, and capital asset purchases in this budget. This description can help the reader understand the differences and similarities in the budget presentation of such financial elements compared to how they are presented in other City publications, such as the City's CIP/ICAP or its annual Comprehensive Annual Financial Report (CAFR).

The City uses a "fixed budget" presentation which establishes a spending cap at the fund level, with departmental budgetary guidelines. Department budgets cannot be exceeded without special authorization (see Budget Practices at page 192). This operating budget is adopted for the 2006/07 fiscal year in contrast to the CIP/ICAP, which was adopted on June 7, 2005 and covers two fiscal years. The fiscal years before and after 2006/07 shown in the operating budget are for contextual purposes only and are not adopted by the City Council in its budget resolution for FY 2006/07.

The budget is generally prepared on the same basis of accounting used by the City in its CAFR. Definitions for several of the following terms may be found in the Glossary. This terminology comes from the accounting standards used for governments which are established by the Governmental Accounting Standards Board (GASB). These standards constitute generally accepted accounting principles (GAAP) for local governments.

Although legally separate entities from the City, the Redevelopment Agency, the Fremont Public Financing Authority (PFA) and the Fremont Social Services Joint Powers Authority (JPA) are component units of the City under GAAP. These entities are considered component units because of the degree of control exercised by the City (the City Council and City staff serve as the governing boards and staff, respectively, for these entities) and their financial dependence on the City. The JPA's budget is included in the Human Services Department budget. The payment obligations of the PFA are set by the debt instruments underlying the obligations so they are not included in the budget.

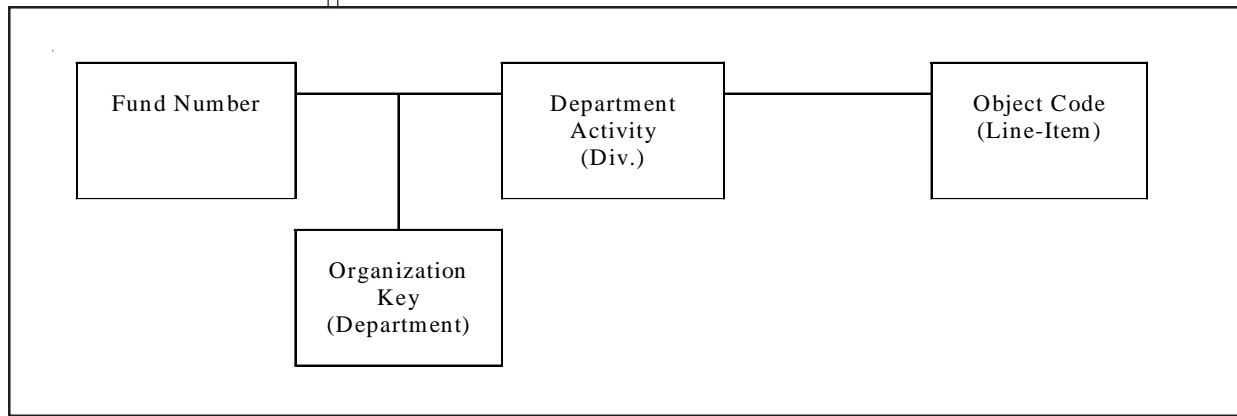
In the Required Supplementary Information section of its CAFR, the City compares actual revenues and expenditures for the accounting period to both the originally adopted budget and the final budget (the adopted budget with any mid-year adjustments) for estimated revenues and expenditure appropriations. These comparisons, made for the General Fund, the combined Redevelopment Agency Funds, the Integrated Waste Management Fund, the Development Services Fund, and the Recreation Services Fund, show the City's compliance with expenditure caps at the legal level of control. A copy of the City's CAFR for the fiscal year ended June 30, 2005 may be obtained by contacting the Finance Department.

Expenditures are budgeted in the governmental funds on the modified accrual basis of accounting and expenses are budgeted in proprietary funds on the full accrual basis of accounting. The primary difference between the two bases of accounting is that "expenditures" emphasize the reporting of financial resource outflows (cash and cash-like resources) in the period in which they are disbursed, while "expenses" emphasize the matching of the obligation to disburse economic resources (cash and all other assets causing a change in fund net assets) to the period in which the obligation was incurred by the City.

Capital asset acquisitions are shown somewhat differently in the budget than in the CAFR. "Capital Assets" are used in the City's operations, have an estimated useful life of more than one fiscal year, and cost \$5,000 or more. These long-lived assets include land and buildings and their improvements, vehicles, machinery and equipment, and streets and sidewalks. The City's planned capital asset purchases are shown in two places in the Budget: (1) in the departmental capital outlay for capital assets to be purchased from annual operating appropriations during the budgeted fiscal year, and (2) in the Capital Budget Summary (CIP/ICAP) for capital assets to be acquired over several years or which involve particular financing plans. In the CAFR, Fund Financial Statements, all capital asset acquisitions are reported in the governmental funds acquiring them as "Capital Outlay" on their operating statements, and in the proprietary funds the acquiring funds report their acquisition as uses of cash on their statements of cashflow (the assets are also capitalized on their balance sheets).

Budget Account Structure

Budget transactions occur under an established account code structure organized by funding source (fund/fund number). An account code is comprised of ten numbers, which represent the fund, department/division activity code, and object code. A combined fund number and department activity code result in a department account number called an organization key (org. key). Object codes describe the transaction type within the fund and department. The account code structure can be best summarized in the following diagram:



Operating/Capital Expenditure Accountability

The annual budget sets appropriations by fund or with further allocation by department or program. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund. The City Council may adopt supplemental appropriations during the year.

The annual budget resolution authorizes the City Manager to increase appropriations for operating expenditures for the Development Cost Center and Recreation Cost Center when quarterly fee revenue in those funds exceeds the amount estimated at the time of budget adoption because of increased activity. All other revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

The City maintains a multi-year forecasting model for operating revenues and expenditures, and also produces a five-year capital plan that includes debt service. The multi-year forecast is continuously updated to reflect current revenue and expenditure assumptions and is presented to the City Council after the first fiscal quarter, at mid-year, and during the budget process for the next fiscal year. The City's five-year capital plan is updated every two years.

Long-Term Financial Planning

The City Council continues to focus on the long-term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business-to-business sales tax base, and development of a pedestrian-oriented urban center in the City's Central Business District. Significant resources have been invested in the City's estimated share of freeway interchanges. Four interchanges were constructed using local funds to allow the completion of extensive freeway investments funded by the County, the State, and the federal government. This investment and final interchange structure will complete the upgrades to I-880 through Fremont. Construction also began on two grade separation projects that will increase safety, reduce congestion, and facilitate the extension of the Bay Area Rapid Transit District commuter rail system south to the City's Warm Springs district and, eventually, to San Jose.

Previous years allowed the City to accumulate balances in the development impact fee funds intended for infrastructure and improved amenities in the community. The park development impact fee funds also accumulated adequate funding for a significant park improvement program. Upon stabilization of the State budget situation, the City Council will develop plans to balance the maintenance and operational cost impacts of acquiring or developing parkland. These plans will be consistent with standards in the City's park master plan.

Cash Management

Cash temporarily idle during the year is invested in obligations of the U.S. Treasury and agencies of the federal government, commercial paper, corporate bonds, banker's acceptances, qualifying mutual funds, and the State Treasurer's investment pool. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City plans to hold to maturity. Because it is the City's practice to hold investments to maturity, unrealized investment gains and losses are not included in the budget until such time as they actually occur. Pursuant to State law, the City's investment policy is adopted by the City Council annually.

Risk Management

The City of Fremont uses a risk management program to reduce its workers' compensation and general liability claim costs. The City employs a professional risk manager, a safety officer, and staff, supplemented by professional claim administration firms, to minimize losses. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for general liability coverage and one for workers' compensation coverage. The joint powers authorities and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential losses. Excess coverage provided by the joint powers authorities covers claims in excess of \$500,000 for general liability claims and workers' compensation claims.

Pension and Post-employment Benefits

The City provides pension and medical benefits for its public safety and non-safety employees through two contracts with CalPERS. The contracts include benefit levels which the City has negotiated with its employee units and for which it has executed contract amendments. The plans also include some benefit levels approved by the State Legislature without contract amendment and funding mechanisms approved by the CalPERS Board of Administration. The City also provides post-retirement benefits in the form of limited contributions toward health insurance costs for certain retirees based on the provisions of labor agreements in effect at the date of the employees' retirement.

Reserve or Stabilization Accounts

Reserve or Stabilization Accounts

Reserves accumulated during years when revenues exceeded expenditures cushion the City's transition to a lower revenue base and allow the City to adjust spending in response to economic downturns and State revenue takeaways. The General Fund maintains three reserves: the Contingency Reserve, the Program Investment Reserve and the Budget Uncertainty Reserve. The City also maintains reserves for fee-based cost center operations and certain other special revenue funds, including the following:

- Development Cost Center Contingency Reserve
- Development Cost Center Technology and System Improvements Reserve
- Integrated Waste Management Contingency Reserve
- Solid Waste Disposal Rate Stabilization Reserve
- Urban Runoff Clean Water Program Contingency Reserve
- Recreation Cost Center Contingency Reserve
- Recreation Cost Center Operating Improvement Reserve

General Fund Contingency Reserve

Contingency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if this need were to arise. The Contingency Reserve is funded at a level at least equal to 12.5% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by the City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. (Adopted by the City Council on June 4, 1996)

General Fund Program Investment Reserve

The Program Investment Reserve provides a source of working capital for the following:

- a) New programs or undertakings that have the potential for receiving significant funding from outside sources.
- b) Organization retooling, process improvement, and strategic entrepreneurial opportunities.

The Program Investment Reserve is funded at a level at least equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve must be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years. (Adopted by the City Council on June 4, 1996)

General Fund Budget Uncertainty Reserve

The General Fund Budget Uncertainty Reserve is targeted to offset quantifiable revenue uncertainty in the multi-year forecast. The long-term funding level for this reserve is determined by measuring the level of financial risk associated with the following three areas of uncertainty:

1. Revenue risks: Revenues falling short of budget projections (which include a 1% enhancement factor) may cause shortfalls. Transitional funding is also necessary to respond to reductions in major revenues due to local, regional, and national economic downturns (estimated to take 1-3 years).
2. State budget risks: There is a strong probability, beginning in FY 2008/09, that the State may implement budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues). These include property taxes, sales taxes, vehicle license fees, gas taxes, grants and reimbursements.
3. Uncontrollable costs: The City requires a source of supplemental funding for further increases in CalPERS retirement rates that result from CalPERS investment performance that falls short of actuarial assumptions. In addition, there may be other cost increases that are beyond the City's control (e.g., various fuel and utility charges).

All uses of this reserve must be approved by the City Council. If the risk factors described above are eliminated as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the reserve will be reviewed and the funding level may be adjusted accordingly. In the event the reserve has accumulated funding beyond the established level reasonably required to offset the risks above, excess funds will be designated for capital projects, budgeted for service enhancement, or returned to the General Fund available fund balance. (Adopted by the City Council on June 4, 2002, and modified on June 10, 2003)

Development Cost Center Contingency Reserve

The Development Cost Center maintains a contingency reserve for operations to help mitigate the effects of economic downturns and errors in financial forecasting. The contingency reserve is funded at a level at least equal to 15% of the annual operating expenditures for engineering, planning, and building and safety. All uses of the contingency reserve must be approved by the City Manager. Any such uses are to be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997)

Development Cost Center Technology and System Improvement Reserve

The City Council may appropriate an annual contribution from the Development Cost Center to a Development Cost Center technology and system improvement reserve to provide a source of capital for the following:

- Ongoing hardware and software acquisition
- Technology investment
- System improvement

The technology and system improvement reserve was funded initially at a level of \$1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager recommends annually an amount to be contributed to such a reserve. All uses of the reserve must be approved by the City Manager. (Adopted by the City Council on June 3, 1997)

Development Cost Center Unallocated Fund Balance

When annual fee revenues exceed expenditures and amounts needed to maintain the Development Cost Center reserves at planned levels, the Community Development Department will evaluate the development fee structure during the subsequent fiscal year. The evaluation will take into account equity to fee payers, changes in fee structures to encourage compliance with safety codes, economic forecasts for development and maintenance of responsive, high-quality customer services. The purpose of this evaluation will be to develop recommendations regarding possible reductions in fee levels that would be funded through use of the unallocated fund balance for the budget year that begins twelve months after the end of the fiscal year that results in an unallocated fund balance. (Adopted by the City Council on June 3, 1997)

Integrated Waste Management Contingency Reserve

City Council policy is to maintain an Integrated Waste Management contingency reserve of \$2 million to support post-disaster debris management. In the event of a natural disaster, this will provide a source of funds for disaster response and clean up efforts with the objective of recycling, reusing or otherwise diverting disaster debris from the landfill to the greatest extent possible. The reserve will fund immediate response and recovery activities, support local diversion policy goals, conserve valuable natural resources, preserve landfill space, and possibly decrease recovery time. (Adopted by the City Council on June 1, 1999)

Integrated Waste Management Unallocated Fund Balance

The unallocated Integrated Waste Management fund balance will be maintained to fund elements of bringing the future transfer station/material recovery facility (TS/MRF) online, including planning, site acquisition, and design. In the event a TS/MRF is not operational before the Tri-Cities Recycling and Disposal Facility (landfill) reaches capacity, the fund balance may also be used to pay for additional transportation and disposal expenses

that will be incurred to handle the City's solid waste until the TS/MRF comes online. The fund balance is evaluated annually to determine whether adjustments in fee levels may be warranted. (Adopted by the City Council on June 1, 1999)

Solid Waste Disposal Rate Stabilization Reserve

The Solid Waste Disposal Rate Stabilization Reserve, funded through solid waste collection fees, serves as a mechanism for managing rate fluctuations over time. (Adopted by the City Council on June 1, 1999)

Urban Runoff Clean Water Program Unallocated Fund Balance

Unallocated Urban Runoff Clean Water Program funds will be used to support a multi-year focused watershed management program to enhance the Regional Water Quality Control Board's storm water quality standards. Program components may include erosion control, community education, and storm water management techniques to improve the quality of water through the watershed. The unallocated fund balance will be evaluated on a biennial basis as to the levels necessary to support project objectives. (Adopted by the City Council on June 1, 1999)

Urban Runoff Clean Water Program Contingency Reserve

City Council policy is to maintain a \$300,000 contingency reserve to respond to unfunded events such as changes in law, new initiatives, fluctuating program costs, and changing program requirements. The contingency fund balance will be evaluated on a biennial basis to determine if the level is appropriate. (Adopted by the City Council on June 1, 1999)

Recreation Cost Center Contingency Reserve

City Council policy is to maintain a Recreation Cost Center contingency reserve for operations to help mitigate the effects of economic downturns and natural disasters, to maintain full-time staffing levels during temporary loss of program facilities, and to deliver prepaid recreation services. The contingency reserve will be funded at a level at least equal to 25% of the Recreation Division's annual operating expenditures. All uses of the contingency reserve will be approved by the City Manager. Any such uses will be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997)

Recreation Cost Center Operating Improvement Reserve

City Council may appropriate an annual contribution from the Recreation Cost Center to the Recreation Cost Center operating improvement reserve to provide a source of capital for:

- Ongoing hardware and software acquisition
- Capital and/or technology investment
- Process improvement and organizational retooling
- Entrepreneurial program opportunities that have the potential to generate revenues to cover expenditures within a three-year period

The operating improvement reserve was funded initially at a level of \$1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager will recommend annually an amount to be contributed to such a reserve. All uses of the reserve will be approved by the City Manager. (Adopted by the City Council on June 3, 1997)

Cost Center Spending Authorizations

Recreation Cost Center Spending Authorization

When revenue estimates for the Recreation cost center exceed the amount identified in the budget due to increases in recreation fee activity as verified by the Finance Director, the City Manager is authorized to increase appropriations for expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to City Council as part of the results of the annual financial audit. (Adopted by the City Council on June 3, 1997)

Development Cost Center Spending Authorization

When revenue estimates for the Development Cost Center exceed the amount identified in the budget due to increases in development and fee activity as verified by the Finance Director, the City Manager is authorized to increase appropriations for expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to City Council as part of the results of the annual financial audit. (Included in the annual resolution in prior years and adopted by the City Council on June 3, 1997)

Development Services Cost Recovery

The multiplier rate was established in the 1992/93 fiscal year to recover all department costs associated with an employee's direct chargeable hours on a project. The multiplier concept replaced the flat rate charging system that applied an average departmental charge for all employees. The two principal components of the multiplier rate are the direct chargeable hours and the departmental budget. Direct chargeable hours are specifically attributed to a particular project and exclude hours that are not associated with a project. Chargeable hours are determined based on an estimated percentage of employee-dedicated hours to a chargeable area. The multiplier used to calculate billing rates for planning services provided by the Development Services Cost Center is 2.7.

Debt Capacity, Issuance & Management

Short-Term Operating Debt

Current revenues will cover the expenses associated with the day-to-day operations of the City. However, because the City receives the majority of its property tax revenues twice during the year, and sales tax revenues may

fluctuate during the year, the City may experience temporary cash shortfalls. In order to finance these possible cash shortfalls, the City may incur short-term operating debt [typically, Tax and Revenue Anticipation Notes (TRANs)]. The amount of short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and State regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible. (Adopted by the City Council on February 26, 1996 and reaffirmed on July 7, 1998)

Long-Term Capital Debt

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. In addition to this policy, there is a separate policy for land-based financings (typically, Mello-Roos community facility districts and local improvement districts) and debt issued by the Redevelopment Agency. The following provisions guide the City's consideration of issuing long-term debt:

1. The City uses debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
 - a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's General Plan.
 - b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated immediately by State or federal requirements.
 - c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
 - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues.
 - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The project priority process used in developing the City's five-year capital improvement program, including criteria used in evaluating projects and project viability, is reviewed by the City Council as part of the biennial update of the five-year capital improvement program.
3. The following criteria is used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:

- a. Factors which favor pay-as-you-go:
 - (1) Current revenues and adequate fund balances are available.
 - (2) Project phasing is feasible.
 - (3) Debt levels would adversely affect the City's credit rating.
 - (4) Market conditions are unstable or present difficulties in marketing.
 - b. Factors which favor long-term financing:
 - (1) Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating.
 - (2) The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.
 - (3) Market conditions present favorable interest rates and demand for municipal financings.
 - (4) A project is mandated by State or federal requirements and current revenues and fund balances are insufficient to pay project costs.
 - (5) A project is immediately required to meet or relieve capacity needs.
 - (6) The life of the project or asset financed is five years or longer.
4. The following is considered in evaluating appropriate debt levels:
- a. General Fund supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out.
 - b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue (i.e., not land-based or redevelopment agency financings), but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:
 - (1) Volatility and collectibility of the revenue source identified for repayment of the debt.
 - (2) The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make

in its role as back-up guarantor. If the City Council determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 7% of General Fund budgeted expenditures and transfers out. This limitation is separate from and in addition to the debt limitation for general fund supported debt service described in Section 4.a., above.

5. The costs of developing and maintaining a land-based long-term debt policy will be borne by the development community, which uses this type of financing.
6. The costs of developing and maintaining a redevelopment agency long-term debt policy will be borne by the redevelopment agency and will be developed in conjunction with amendments to existing redevelopment project area plans and/or new proposals to issue debt by the redevelopment agency.
7. The City will follow all State and federal regulations and requirements regarding bond provisions, issuance, taxation and disclosure.
8. The adoption of resolutions of intent will be considered whenever bond issuance is contemplated to increase the flexibility related to funding costs related to the project (e.g., project development costs, architectural costs, studies, etc.)
9. Costs incurred by the City, such as bond counsel and financial advisor fees, printing, underwriters' discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.
10. The City will seek credit enhancements, such as letters of credit or insurance, when necessary for cost-effectiveness.
11. The City will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations. Any instances of noncompliance will be reported to the City Council
12. The City will seek to maintain its current bond rating and will ordinarily not consider long-term debt that, through its issuance, would cause the City's bond rating to be lowered.
13. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus (Official Statement).
14. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.

15. The City will select a financial advisor and/or investment banker and bond counsel on a competitive basis; these advisors will be retained for at least four years to provide continuity and allow them to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.
16. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration.
17. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.
18. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.
19. In choosing the appropriate long-term debt instrument, cost, economic equity, political acceptability, and flexibility will be considered. Refunds will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered, as appropriate.

Financing Instruments

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:

- a. General Obligation Bonds - Bonds backed by the full faith and credit of the City. The taxing power may be an unlimited ad valorem tax, subject to State law, or a limited tax, usually on real estate and personal property. A special rate is incorporated in the property tax bill annually to pay for debt service. A two-thirds voter approval is required for authorization. Because it is secured by a tax levy, this structure has strong marketability and lower interest costs.
- b. Revenue Bonds - Bonds are secured by revenues generated by the facility that is financed or by dedicated user fees. Voter approval may or may not be required. Planning is more complex because costs and revenues affect each other. Credit enhancement (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payment.
- c. Certificates of Participation - The City enters into a lease agreement with another party (a lessor, such as a joint powers authority) to lease an asset over a defined period of time at a prearranged annual payment. Voter approval is generally not required. Lease payments are made primarily from general fund revenues. Current law

requires the lessee to make lease payments only if the facility has beneficial use. The legislative body has to appropriate annual debt service payments. For the security of the bondholders, a reserve fund is normally established and held by a trustee until all bonds are paid. Interest during project construction must be capitalized. An “asset transfer” structure, whereby an existing facility is used as security to finance construction or acquisition of another project, may be used for flexibility.

- d. Tax Allocation Bonds - Bonds are secured by property tax increment (property taxes generated on assessed value in excess of the frozen property tax base) in a redevelopment project area. These bonds are issued to promote economic development. Voter approval is not required.
- e. Assessment Bonds - Bonds are issued to develop facilities and basic infrastructure for the benefit of properties within the assessment district. Assessments are levied on properties benefited by the project. Voter approval is not required. Instead, a majority vote of the property owners with a majority of assessments is needed to authorize the issue. The issuer's recourse for non-payment is foreclosure. This type of bond is normally not rated. The bonds may be issued under the provisions of the 1911, 1915 or Mello-Roos Bond Act, whichever is most appropriate.
- f. Master Lease Agreements - The City enters into a lease agreement with a provider to lease equipment or facilities whose useful life is too short to finance with long-term debt. Various pieces and types of real and personal property from different vendors over a period of time can be acquired under one master lease agreement. Interest can be fixed or tied to an index. Financing costs are normally minimal, but the interest cost may be higher than with other instruments.
- g. Vendor-Financed Leases - A vendor of equipment acts as the lessor and investor, and holds the lease for its full term or may assign the lease. The motivating factor to the vendor is usually to encourage future sales of its product.
- h. Marks-Roos Bonds - Bonds are issued by a joint powers authority to buy other bond issues. By pooling bond issues, marketability can be improved and administration costs are reduced.
- i. Bond Anticipation Notes - Notes are issued to provide temporary financing, to be repaid by long-term financing. The bridge financing has a maximum maturity of three years.

(Adopted by the City Council on May 7, 1996, revised and readopted by Council on July 8, 1998)

Glossary of Budget Terms

Annual Operating Contingency

An account, used at the discretion of the City Manager, to fund emergency or extraordinary items.

Appropriation

An authorization by the City Council to make expenditures and to incur obligations for a specific purpose within a specific time frame.

Assessed Valuation

A dollar value placed on real estate or other property by Alameda County as a basis for levying property taxes.

Audit

Scrutiny of the City's accounts by an independent auditing firm to determine whether the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

Balanced Budget

The budget for a fund is balanced when total budgeted resources, including revenues, transfers in from other funds, and unallocated fund balance from previous years meet or exceed total budgeted use of resources, including expenditures and transfers out to other funds.

Base Budget

Under traditional budgeting, the base budget is that amount carried over from one year to the next. Each year, approved amounts may be added to the base budget.

Beginning Balance

Unencumbered resources available in a fund from the prior fiscal year after payment of prior fiscal year expenditures.

Bond

Capital raised by issuing a written promise to pay a specified sum of money, called the face value or principal amount, with interest at predetermined intervals.

Budget

A fiscal plan of financial operation listing an estimate of proposed applications or expenditures and the proposed means of financing them. The budget must be approved by the City Council prior to the beginning of the fiscal year.

California Public Employees' Retirement System (CalPERS)

The retirement system, administered by the State of California, to which all permanent City employees belong.

Capital Asset/Capital Outlay

Land, infrastructure, and equipment that are used in operations that have initial useful lives greater than one year. The City has set the capitalization threshold for reporting infrastructure capital assets at \$25,000, and for all other capital assets at \$5,000. Expenditures made for Capital Assets are commonly referred to as, "Capital Outlay," and are shown in either the CIP/ICAP (see below) or the department budgets depending on whether the capital asset to be acquired is part of the City's long-term capital management program or needed for daily departmental operations.

Capital Improvement Program (CIP) and Integrated Capital Assets Plan (ICAP)

The five-year financial plan for improving assets and integrating debt service and capital assets maintenance, adopted in a separate budget document and updated every two years.

Certificates of Participation (COPs)

A lending agreement secured by a lease on the acquired asset or other assets of the City.

Consumer Price Index (CPI)

An indicator of inflation, used in some salary-increase or other calculations.

Debt Service

Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or certificates of participation (COPs).

Deficit

An excess of expenditures over revenues (resources).

Department

An organizational unit comprised of divisions or functions. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

Designated Fund Balance

The portion of fund balance segregated to reflect the City Council's intended use of resources.

Encumbrances

A legal obligation to pay funds for expenses yet to occur, such as when a purchase order has been issued but the related goods or services have not yet been received. They cease to be encumbrances when the obligations are paid or terminated.

Enterprise Fund

A type of fund established for the total costs of those governmental facilities and services which are operated in a manner similar to private enterprise. These programs are entirely or predominantly self-supporting. The City has a number of enterprises such as the Development Cost Center, the Recreation Services Cost Center, and the Senior Center. Also referred to as Proprietary Funds.

Expenditure

The actual spending of governmental funds.

Fiscal Year

A twelve-month period of time to which a budget applies. In Fremont, it is July 1 through June 30.

Fund

An independent fiscal and accounting entity with a self-balancing set of accounts, used to record all financial transactions related to the specific purpose for which the fund was created.

Fund Balance

The difference between fund assets and fund liabilities.

Gann Limit

State of California legislation that limits a City's appropriations growth rate to changes in population and either the change in California per capita income or the change in the local assessment roll due to non-residential new construction.

General Fund

The primary fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. This fund is used to accumulate the cost of the City's general operations.

General Obligation Bond

Bonds backed by the full faith and credit of the City, used for various purposes and repaid by the regular revenue raising powers (generally property taxes) of the City.

Grant

Contributions or gifts of cash or other assets from another governmental entity or foundation to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant provided by the federal government.

Hotel/Motel Tax

A tax imposed on travelers who stay in temporary lodging facilities within the City. Also referred to as a Transient Occupancy Tax.

Interfund Transfers

Moneys transferred from one fund to another, such as from a fund receiving revenue to the fund through which the resources are to be expended.

Local Improvement District (LID) Bonds

Bonds paid for by special assessments on benefiting property owners for specific capital improvements.

Materials, Supplies and Services

Expenditures for items which are ordinarily consumed within a fiscal year.

Memoranda of Understanding (MOUs)

The result of labor negotiations between the City of Fremont and its various bargaining units.

Multi-year Forecast

The Finance Department's mid-range projection of revenues and expenditures. The Finance Department updates the forecast three times a year.

Non-departmental

Appropriations of the General Fund not directly associated with a specific department. Expenditure items and certain types of anticipated general savings are included.

Object Code

The line item where a revenue or expenditure is recorded.

Objectives

The expected results or achievements of a budget activity.

Operating Budget

Annual appropriation of funds for ongoing program costs, including salaries and benefits, services and supplies. This is the primary means by which most of the financing, acquisition, spending and service delivery activities of the City are controlled. Reserves and contingencies are also components of Fremont's annual budget.

Ordinance

A formal legislative enactment by the City Council. It has the full force and effect of law within the City boundaries.

Overhead

Charged to various funds to cover the cost of administrative services, rent, custodial services, etc.

Proprietary Funds

Revenues from City of Fremont activities that operate as public enterprises. Revenues derive from fees charged to users, and the programs are largely cost-covering. Also referred to as Enterprise Funds.

Reserved Fund Balance

Accounts used to record a portion of the fund balance as legally segregated for a specific use or not available for appropriation.

Resolution

A special order of the City Council, which has a lower legal standing than an ordinance.

Salaries and Benefits

A budget category which generally accounts for full-time and temporary employees, overtime, and all employee benefits, such as medical, dental, and retirement.

Transfers In and Transfers Out

Movement of revenue out of one fund to another. The recipient fund uses the money to cover the cost of services provided (such as when the General Fund transfers money to the Recreation Cost Center) or to cover the cost of a contract between two funds (such as when the General Fund transfers money to the Development Cost Center).

RESOLUTION NO. 2006-46**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREMONT
APPROVING AND ADOPTING A BUDGET FOR THE FISCAL YEAR JULY 1,
2006 THROUGH JUNE 30, 2007**

WHEREAS, the City Manager has prepared a municipal budget for the fiscal year ending June 30, 2007, entitled "City of Fremont, FY 2006/07 Proposed Operating Budget" ("Proposed Budget"), a copy of which is on file in the office of the City Clerk; and

WHEREAS, the City Council has examined said budget, has conferred with the City Manager and appropriate staff in public study sessions, and has deliberated and considered the budget during public hearings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Fremont as follows:

Section 1:

The City Manager is hereby directed to prepare the final budget, in substantial conformance with the Proposed Budget, and as directed by the City Council, for the fiscal year July 1, 2006 through June 30, 2007. The final budget shall be the "City of Fremont, 2006/07 Adopted Operating Budget." The final budget may be referred to as "the Budget," and a copy of the Budget shall be filed in the office of the City Clerk. The Budget is hereby adopted and approved.

Section 2:

The City Manager is hereby authorized to implement the Budget as set forth in this resolution. The City Manager may delegate the authority to implement this resolution to the Finance Director, or other designated City employees.

Section 3:

The City Manager is authorized to transfer appropriations as needed from savings available in any account in the budget to any other accounts within the same fund to meet overall budget requirements.

Section 4:

The City Manager is authorized to transfer among various funds amounts designated as "Transfers" in the budget, said transfers to be made in increments and at intervals determined by the City Manager.

Section 5:

The City Manager is authorized to increase appropriations for fiscal year 2006/07 expenditures in an amount not to exceed the amount of funds encumbered, but not yet expended, from fiscal year 2005/06. The actual amount of the increased appropriation due to encumbrances will be reported to the City Council, as part of the results of the annual financial audit for fiscal year 2005/06.

Section 6:

When revenue estimates for the Development and Environmental Services cost center exceed the amount identified in the Budget due to increases in development and fee activity as verified by the Finance Director, the City Manager is authorized to increase appropriations for fiscal year 2006/07 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to the City Council as part of the results of the annual financial audit for fiscal year 2006/07. The multiplier used to calculate

billing rates for planning services and engineering services provided by the Development and Environmental Services cost center will remain 2.7.

Section 7:

When revenue estimates for the Recreation cost center exceed the amount identified in the Budget due to increases in recreation fee activity as verified by the Finance Director, the City Manager is authorized to increase appropriations for fiscal year 2006/07 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to the City Council as part of the results of the annual financial audit for fiscal year 2006/07.

Section 8:

When revenue estimates for the Human Services Department exceed the amount identified in the Budget due to increases in grant revenues as verified by the Finance Director, the City Manager is authorized to increase appropriations for fiscal year 2006/07 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to the City Council as part of the results of the annual financial audit for fiscal year 2006/07.

Section 9:

When higher than anticipated revenue activity in the General Fund results in increased costs to directly support that activity (e.g., automated traffic enforcement), the City Manager is authorized to increase appropriations for fiscal year 2006/07 expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to the City Council as part of the results of the annual financial audit for fiscal year 2006/07.

Section 10:

The City Manager is instructed to use restricted funding sources in accordance with the requirements of such funding sources prior to using funds with unrestricted resources in order to allow the City the greatest flexibility in meeting its financial obligations.

Section 11:

Each Councilmember is authorized \$5,600, and the Mayor is authorized \$10,000, for Council travel and expense reimbursement, to be utilized in accordance with the council Travel Budget and Expense Reimbursement Policy.

Section 12:


The City Manager is instructed to implement all policies contained in the "Policies" section of the Budget.

Section 14:

This resolution shall take effect immediately upon its adoption.

ADOPTED June 6, 2006, by the City Council of the City of Fremont by the following vote to wit:

AYES:	Mayor Wasserman, Vice Mayor Cho, Councilmembers Dutra Wieckowski and Natarajan
NOES:	None
ABSTAIN:	None
ABSENT:	None



Mayor

ATTEST:



City Clerk

APPROVED AS TO FORM:



Assistant City Attorney

RESOLUTION NO. 2006-47**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF FREMONT ESTABLISHING THE APPROPRIATIONS
LIMIT FOR FISCAL YEAR 2006/07 FOR THE CITY OF
FREMONT**

WHEREAS, Article XIII B of the California Constitution (enacted with the passage of Proposition 4 in 1979; with modifications under Proposition 111, passed by the voters of California in June 1990; and implemented by California Government Code sections 7900, and following), specifies appropriations of governmental entities may increase by an amount not to exceed the change in population and the change in either the California per capita income or the change in non-residential assessed valuation due to new construction within the City; and

WHEREAS, documentation used in the determination of the FY 2006/07 appropriations limit has been available to the public prior to City Council's determination in this matter, as required by Government Code Section 7910.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Fremont, pursuant to the appropriations limit formula set forth by Government Code Sections 7900-7913, does hereby establish the appropriations limit for FY 2006/07 for the City of Fremont as documented in Exhibit A, attached hereto and incorporated herein by reference as though fully set forth.

BE IT FURTHER RESOLVED, the City Council of the City of Fremont adopts as the adjustment factors for use in determining the FY 2006/07 appropriations limit the following:

Population Factor: The percentage change in the City's population from January 1 of the preceding calendar year to January 1 of the current calendar year as provided in the State of California Department of Finance "Price and Population Information" publication, dated May 2006.

Inflation Factor: Use the change in per capita personal income factor for FY 2006/07 as provided by the State of California Department of Finance "Price and Population Information" publication dated May 2006.


ADOPTED June 6, 2006, by the City Council of the City of Fremont by the following vote, to wit:

AYES: Mayor Wasserman, Vice Mayor Cho, Councilmembers Wieckowski, Dutra and Natarajan

NOES: None


ABSTAIN: None

ABSENT: None


Mayor

ATTEST:

APPROVED AS TO FORM:


City Clerk


Assistant City Attorney

RDA RESOLUTION NO. 372

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF FREMONT APPROVING AND ADOPTING A BUDGET FOR THE FISCAL YEAR JULY 1, 2006 THROUGH JUNE 30, 2007, APPROVING APPROPRIATIONS FOR CAPITAL PROJECTS, REFLECTING FINDINGS MADE REGARDING PUBLIC IMPROVEMENTS, MAKING FINDINGS REGARDING PLANNING AND ADMINISTRATIVE EXPENDITURES FUNDED WITH AFFORDABLE HOUSING MONIES; AND APPROVING THE AGENCY WORK PROGRAM

WHEREAS, the Executive Director has prepared an Agency budget for the fiscal year ending June 30, 2007, entitled "Redevelopment Agency Proposed Budget FY 2006/2007," attached hereto as Attachment 1; and

WHEREAS, the Agency Board has conferred with the Executive Director and appropriate staff in public meetings, and has deliberated and considered the proposed budget during public hearings; and

WHEREAS, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*; the "Redevelopment Law"), the City Council has adopted and the Redevelopment Agency of the City of Fremont (the "Agency") is responsible for implementing: (1) the Amended and Restated Redevelopment Plan for the Niles Redevelopment Project (the "Niles Plan"), as recently amended and restated pursuant to Ordinance No. 2295 dated July 7, 1998, pertaining to the Niles redevelopment project area as described therein (the "Niles Project Area"); (2) the Amended and Restated Redevelopment Plan for the Irvington Redevelopment Project (the "Irvington Plan"), as recently amended and restated pursuant to Ordinance No. 2294 dated July 7, 1998, pertaining to the Irvington redevelopment project area as described therein (the "Irvington Project Area"); (3) the Amended and Restated Redevelopment Plan for the Centerville Redevelopment Project (the "Centerville Plan"), as recently amended and restated pursuant to Ordinance No. 2296 dated July 7, 1998, pertaining to the Centerville redevelopment project area as described therein (the "Centerville Project Area"); (4) the Amended and Restated Redevelopment Plan for the Fremont Industrial Redevelopment Project (the "Industrial Area Plan"), as recently amended and restated

pursuant to Ordinance No. 2297 dated July 7, 1998, pertaining to the Industrial redevelopment project area as described therein (the "Industrial Project Area"). The Niles Plan, the Irvington Plan, the Centerville Plan, and the Industrial Area Plan are sometimes collectively referred to as the "Redevelopment Plans." The Niles Project Area, the Irvington Project Area, the Centerville Project Area, and the Industrial Project Area are sometimes collectively referred to as the "Project Areas"; and

WHEREAS, to assist in implementing the Redevelopment Plans, the Agency by resolutions of June 10, 2003, has adopted a five-year implementation plan for the fiscal years 2003/2004 through 2007/2008 (the "Implementation Plan") pursuant to Section 33490 of the Redevelopment Law; and

WHEREAS, in furtherance of the Redevelopment Plans and the Implementation Plan, the Agency desires to provide financial assistance for the public improvements generally listed and described in the Project Appropriations Plan (Attachment 2) which is attached to this Resolution and incorporated herein by this reference (collectively, the "Public Improvements"); and

WHEREAS, in considering approval of this Resolution, the Agency and the City Council have complied with the requirements of the California Environmental Quality Action ("CEQA") in the manner found and determined below; and

WHEREAS, the following additional materials (collectively, the "Supporting Documents") have been presented to and considered by the Agency in support of the findings and approvals set forth in this Resolution: (1) the staff report of June 6, 2006, accompanying this Resolution; and (2) the Redevelopment Plan Amendments EIR and the Redevelopment Plan Amendments EIR Resolutions (both as defined below). The Supporting Documents are hereby incorporated by reference in this Resolution and, together with the above recitals (the "Recitals"), form the evidentiary basis and establish the analytical route for reaching the ultimate findings and conclusions contained in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Agency Board of the Redevelopment Agency of the City of Fremont that the above Recitals are true and correct and have served, together with the Supporting Documents, as the basis for the findings and approvals set forth below.

BE IT FURTHER RESOLVED, by the Agency Board of the Redevelopment Agency of the City of Fremont as follows:

The Executive Director is hereby directed to incorporate any amendments to the proposed budget, as made by the Agency Board during the meeting of June 6, 2006 (as described in Attachment 1, attached hereto and incorporated herein by reference) for the fiscal year July 1, 2006 through June 30, 2007, into a document entitled "Redevelopment Agency Adopted Budget FY 2006/2007." The adopted budget may be referred to as "the budget," and a copy of the budget shall be filed in the office of the City Clerk. The budget is hereby adopted and approved; and

The Executive Director is authorized to implement this resolution, and may delegate authority to implement this resolution to the Chief Financial Officer, or other designated Agency representative; and

The Agency Board does hereby adopt City of Fremont budget policies, as identified in the City's FY 2006-2007 Adopted Operating Budget for use by the Agency, to the extent the policies are relevant and allowable by law; and

The Executive Director is authorized to transfer appropriations as needed from savings available in any object account in the Agency's budget (other than the accounts of Affordable Housing) to other accounts to meet overall budget requirements. Likewise, the Executive Director is authorized to transfer appropriations as needed from savings available in any other account in the Agency's Affordable Housing budget to other accounts in the Agency's Affordable Housing budget to meet overall budget requirements; and

The Executive Director is hereby authorized to transfer among Redevelopment funds amounts designated as "Fund Transfers" in the budget, said transfers to be made in increments and at intervals determined by the Executive Director. The Executive Director is hereby authorized to cause Redevelopment funds to be restructured as needed to meet accounting requirements and provide financial reports as efficiently as possible; and

The Executive Director is hereby authorized to display expenditures of the Agency as "Fund Transfers" in financial statements, when needed to provide clarity and consistency for financial reporting; and

In accordance with California Health and Safety Code Section 33606 the Agency

Board does hereby find and determine as follows:

(1) The proposed expenditures and anticipated revenues are shown in Attachment 1;

(2) The Agency proposes no new additional issuance of bonded indebtedness during FY 2006/07 at this time;

(3) The Agency proposes to continue existing indebtedness, such as the bonds issued in 2000 and 2003 and the Agency's responsibility to contribute funding toward interchange construction projects;

(4) The Agency's work program and goals for next year and achievements for the current year are included in Attachment 1; and

(5) In accordance with Health and Safety Code Section 33334.3(d), the Agency Board does hereby find that the planning and administrative expenses of the Affordable Housing Fund are necessary for the production, improvement, or preservation of low and moderate-income housing. The salaries, benefits, and operating expenditures of the proposed annual operating budget for the Affordable Housing Fund are \$991,889, which is less than 9% of the \$10.9 million total proposed expenditures for capital projects and programs. The Agency administers an affordable housing program involving approximately 1,100 current units, with plans to assist approximately 300 additional units. This low level of planning and administrative expenses in relation to the high number of assisted units supports the conclusion that the expenditures are necessary.

BE IT FURTHER RESOLVED that the Agency hereby finds for the following reasons, and based on the provision of Public Resources Code Section 21090, that the Redevelopment Plan Amendments EIR (as defined below) has served as the environmental documentation pursuant to CEQA for approval of this Resolution.

"Redevelopment Plan Amendments EIR" means the Environmental Impact Report for the Fremont Redevelopment Plan Amendments and Merger Program (State Clearinghouse Number 97112014) certified by the City Council and Agency pursuant to Resolutions 9314 and 217, respectively, on June 23, 1998 (together, the "Redevelopment Plan Amendments EIR Resolutions"). Specifically, the Agency finds that the Redevelopment Plan Amendments EIR was prepared as a "program" EIR, and that the design and development of the Public Improvements is within the scope of the program evaluated in

the Redevelopment Plan Amendments EIR. The Agency further specifically finds that there have not been any of the following occurrences since the certification of the Redevelopment Plan Amendments EIR that would require a subsequent or supplemental environmental document in connection with approval of this Resolution:

(1) There have not been substantial changes in the Public Improvements that are the subject of this Resolution which would require major revisions in the Redevelopment Plan Amendments EIR; and

(2) There have not been substantial changes with respect to the circumstances under which the Public Improvements are being implemented pursuant to the Resolution which would require major revisions in the Redevelopment Plan Amendments EIR; and

(3) There has not been the appearance of new information which was not known and could not have been known as of the date of certification and approval of the Redevelopment Plan Amendments EIR which is relevant to the certification and approval of the Redevelopment Plan Amendments EIR as it relates to the Public Improvements.

BE IT FURTHER RESOLVED that the Agency hereby finds and directs that the applicable mitigation measures and monitoring program set forth in the Redevelopment Plan Amendments EIR Resolutions shall be incorporated into and implemented in connection with the design and development of the Public Improvements.

BE IT FURTHER RESOLVED that, based on the foregoing CEQA considerations, the Agency Executive Director is authorized to file the appropriate notice of determination documents pursuant to CEQA in connection with the actions and approvals set forth in the Resolution.

BE IT FURTHER RESOLVED that, as the design specifications of the various Public Improvements are finalized, the City and/or the Agency, as appropriate, shall conduct any further appropriate environmental review in connection with the development of the various Public Improvements to the extent, in the manner, and at the times required under the terms of CEQA and the Redevelopment Plan Amendments EIR.

BE IT FURTHER RESOLVED that, based on the information and analysis contained in the Recitals and the Supporting Documents, and in accordance with Health & Safety Code Section 33445 of California Redevelopment Law, the Agency finds that: No additional legal findings under Health & Safety Code Section 33445 to authorize

appropriations for the Public Improvements listed in Attachment 2 (the Project Appropriations Plan) are required to be made this year as the following findings have already been made by the Agency Board (through Resolution 299 and previous resolutions of the Agency) with respect to all of the affected projects included in the Project Appropriations Plan:

- (1) The improvements benefit the Redevelopment Project Areas;
- (2) There are no other reasonable means of financing the improvements;
- (3) The improvements will assist in the elimination of blight and are consistent with the Implementation Plan.

BE IT FURTHER RESOLVED the Agency Board approves the project appropriations as shown for FY 2006/07 in the Redevelopment Agency Proposed Project Appropriations Plan (Attachment 2). Said appropriations to be made as of July 1, 2006. The Agency Board authorizes re-appropriation and carry-forward of unspent appropriations for Redevelopment Agency projects and programs to later fiscal years consistent with the purposes of Redevelopment, as determined by the Chief Financial Officer. The Agency Board authorizes the Executive Director to determine when unspent appropriations are no longer needed in order to complete specific projects or programs and authorizes the Executive Director to release those unspent funds to unallocated fund balance of the fund from which the appropriations were originally made. The Agency Board does hereby adopt, and the Chief Financial Officer is instructed to implement, City of Fremont Capital Improvement Program/Integrated Capital Assets Program (CIP/ICAP) budget policies for use by the Agency to the extent the policies are applicable and

allowable by law.

BE IT FURTHER RESOLVED that this Resolution shall become effective immediately upon its passage and adoption.

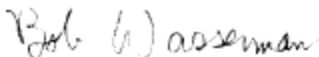
ADOPTED June 6, 2006, by the Redevelopment Agency of the City of Fremont by the following vote, to wit:

AYES: Mayor Wasserman, Vice Mayor Cho, Councilmembers Dutra, Wieckowski and Natarajan

NOES: None

ABSTAINED: None

ABSENT: None




Agency Chair

ATTEST:



Agency Secretary

APPROVED AS TO FORM:



Agency Counsel

